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## Near East/South Asia Report

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3 January 1986

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REGIONAL AFFAIRS

FRANCE CANCELS ISRAELI NUCLEAR REACTOR DEAL

London AL-DUSTUR in Arabic 4 Nov 85 pp 26-27

[Article by Khayri Ghurrah: "Saudi-Iraqi-Egyptian Pressures Behind France's Cancellation of Its Nuclear Deal With Israel"]

[Text] Early last September Israeli press sources noted the death of Israeli reserve officer Ezra Kedim, who had directed the famous operation involving the smuggling of uranium from the French port of Cherbourg. If this operation was the result of special French-Israeli relations on the nuclear level, which had begun in the late fifties, then such relations have ceased, at least for the foreseeable future, following a secret decision by the French presidential palace (the Elysee) to suspend negotiations under which Israel would obtain two French nuclear power reactors, something which was agreed upon when Israeli Prime Minister Shimon Peres visited Paris in 1983.

Despite attempts by Elysee officials to tone down the language of their decision and limit it to a period of time extending until next February, when French parliamentary elections will be held, Jewish and Israeli quarters in Paris expressed their belief that the agreement would remain in force because they linked its provisions to French President Francois Mitterrand's attempt to win Jewish votes during the upcoming election campaign.

The Elysee decision came as a surprise to a number of Western observers in Paris, especially since the French president, prime minister Laurent Fabius, and economic advisor Jacques Athalie represented the political wing which supported the nuclear reactor deal. Ever since Mitterrand had reached agreement with Peres on it, they kept pressuring economic and scientific quarters in the French Framatome company, which was overseeing production of the nuclear reactors, to drop its objections to the deal's technical and financial terms, proposed by Israeli officials, something which will be touched upon.

Sources close to Mitterrand had stated that he was giving special attention to the matter of renewing French-Israeli nuclear cooperation, based on personal and political factors attributable to his traditional ties with Israel and the Jewish community in France and his desire to make sure he would win over the Jewish voters in the next round of elections, especially following the failure of his economic policy and the Socialist Party's decline in popularity, as indicated by the results of the latest regional elections.

A publication of the Tel Aviv University's Center for Strategic Studies, compiled by Professor Shay Feldman, noted that Mitterrand had ordered the preparation of a French-Israeli nuclear file shortly before the French presidential elections in 1981. Following continuous contacts with Mitterrand by Asher Ben Natan, head of the Nuclear Projects Administration Organization in Israel and former Israeli ambassador in Paris, and following Mitterrand's first presidential victory, an Israeli scientific delegation visited the Framatome plants and concluded an agreement in principle providing for the acquisition of two nuclear power reactors. A special Israeli team made up of a hundred scientists and experts was formed under the leadership of Professor Abraham Qadrun to study the project. It was decided to build one of the reactors in the Nitsanim area, located on the coast of the Mediterranean Sea, between the cities of Ashqelon and Ashdod. The second was to be located 5 kilometers north of the area of the ruins in the Negev, known as Shirta.

What are the reasons behind the change in the French position? The recent French development can be attributed to two basic factors: the first involves the terms and positions of the owners of the Framatome company vis-a-vis the provisions and terms of the nuclear reactors deal with Israel. The second involves pressures employed by a number of Arab countries in the past. This has been labeled "the Arab Lobby" by the French press in Paris.

In regard to the first factor, signs had appeared that negotiations between the Israeli scientific delegation and officials of Framatome had fallen off since the first round, following the Israeli negotiators' demand that the French company oversee the construction of the structures housing the two reactors and then simply turn over the equipment, while the Israeli experts would be responsible for installing and starting up the equipment. The Framatome company's scientists and experts, on the other hand, insisted on participating in every step of the building phases of the project.

Meanwhile, economic quarters in the Framatome company vehemently objected to Israel's terms of payment for the project, valued at \$4 billion. These terms called for spreading out installment payments over 15 years, starting 9 years after the start of construction on the two reactors. Moreover, there would be a reduced rate of interest on the installments and part of it would be paid for in Israeli produce to be marketed in France. One French economic expert considered his company's approval of these conditions tantamount to "settling for a hundred-years supply of Israeli oranges."

The Framatome company officials' position was linked to Arab reactions, which could lead to cancellation of deals which a number of Arab countries, Algeria and Egypt in particular, had with the French company, since Egyptian authorities for a number of years had been conducting negotiations with the Framatome company for the establishment of an Egyptian nuclear power reactor on the Red Sea coast. Officials of the French company expressed their fears that Egypt would stop these negotiations, or sign an agreement with a West German company which recently announced its readiness to allow Egypt credit facilities more favorable than those offered by the French company. Those



officials look optimistically at the possibility of concluding contracts on other deals with Arab countries, such as Saudi Arabia and Iraq, since French official quarters hinted that the French president's backing away from his previous position on the nuclear reactors with Israel was the result of collective Arab pressures and contacts with the French Foreign Ministry, which in turn put pressure on Elysee officials. These quarters also linked President Mitterrand's decision to the \$3 billion French-Iraqi military deal, which would boost the Iraqi Air Force's offensive and defensive capabilities.

The important point is that the recent French position was a blow to the extraordinary efforts which had been made by Jewish and Israeli scientific and political quarters in Paris in the past to expedite implementation of the nuclear reactor deal. This was in the hope of obtaining additional nuclear military capability, since the provisions of the deal did not stipulate that Israel sign the Nuclear Non-Proliferation Treaty in exchange for its being furnished with 30 tons of uranium annually as fuel for the reactors.

A number of Israeli scientists, in particular former Minister of Science and Development Yuval Ne'eman, are demanding that contacts be made with West Germany in order to obtain new nuclear reactors, especially since observers in Paris had linked the escalation of Israeli and Jewish efforts with French authorities to the desire of the Israeli coalition government, which represents most of the Israeli parties, for a nuclear weapons monopoly. It is something which the Israeli press began to take up openly when the scope of the results of the October 1973 War became known and as a result of its political and military background because Israeli officials' past pronouncements that "Israel will not be the first state to introduce nuclear weapons into the Middle East" had now turned into a demand that "Israel must have a monopoly on nuclear power sufficient only to preserve its security and existence." Experts and military officials in Israel came to the conclusion following the October War that "there is a specific limit to manpower and economic resources with which to boost the capabilities of the Israeli army, in contrast to the situation in the Arab nations, where the field is wide open." In the study referred to above, Professor Shay Feldman mentioned that future circumstances will force Israel to change its security policy "and it will have to resort openly to a nuclear deterrent factor, something which will form the most important pillar of defense of the security and existence of Israel."

Feldman's position concurs with the view of Labor Party officials, who believe that there must be a constant nuclear threat, which they consider a basic factor in favor of Israel's security. This threat must be "sufficient to force the Arabs to think for while before embarking on any military step in the future even with the use of conventional weapons." Shimon Peres believes that Israel's nuclear capabilities formed one of the bases of the Sadat peace process after the latter believe that the road to peace was the only way out of the nuclear armament crisis in the area.



In contrast, Likud officials are demanding that Israeli nuclear capabilities be cloaked in absolute secrecy. Yitzhak Shamir repeated this view during his recent visit to the United States when he said at a press conference that Israel "does not possess a nuclear weapon, will never use it, and will not be the first to introduce it into the Middle East." The questions by American journalists followed an NBC broadcast of a program on nuclear weapons in the world. Anthony (Kordsman), one of the most noted international experts in this field, took part in the discussions, in which he stated that Israel possessed at least 100 nuclear bombs. Former U.S. Secretary of States Henry Kissinger, who also took part in the program's discussions, stated that "Israel would not hesitate to use its nuclear weapon if it felt that its security and existence were threatened."

The Likud Party's position stems from its fear that Arab nations could obtain nuclear weapons by acquiring the necessary equipment and technology with their enormous wealth; moreover, they possess huge quantities of raw materials from which uranium can be extracted, phosphate in particular, and large quantities of uranium oxide can be extracted from mines in Morocco, Algeria, and Somalia.

Likud officials believe that the acquisition of nuclear weapons by Arab nations will prevent the latter from coming to the negotiating table. These officials continue to demand holding on to occupied Arab territory. This item could be a potential disaster for Israel since it has no strategic depth. Its width between the Mediterranean Sea and its pre-June 1967 borders was no more than a few kilometers and the largest proportion of its population is concentrated in this area of the coastal strip; consequently it could never sustain a nuclear first strike, in contrast to the strategic depth the Arabs have.

Perhaps one of the most important results of the French position as far as Israel is concerned is the blow to the personal expectations of Shimon Peres, who believed that the implementation of the nuclear reactor deal with France would add his name to the list of "historic leaders of Israel," such as Ben Gurion and Golda Me'ir, by considering him the first and primary one responsible for the development of Israel's nuclear power, especially since he had been in charge of the first negotiations which led to Israel's acquisition of the Dimona nuclear research reactor from the Socialist government of France in the late fifties.

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EGYPT

## U.S.-ISRAELI ALLIANCE'S DANGERS TO ARAB WORLD EXAMINED

Cairo AL-AHRAM in Arabic 9 Oct 85 p 13

[Article by Lutfi al-Khuli: "Surmounting Current Arab Crisis; United States: Partner in Peace or in Aggression"]

[Text] It is not extraordinary or unexpected for Israel to pursue the PLO with its blows. Each is a direct and strategic enemy of the other in one of the most important national liberation battles of modern history. Therefore, it is in the nature of things for the two sides to exchange political and military blows constantly.

If the Israeli raid on the PLO Headquarters in Tunis is, in at least one aspect, a form of technically advanced guerrilla warfare countering Palestinian guerrilla warfare, which is technically less advanced and which has less firepower by virtue of the limited nature and special circumstances of the PLO and of the current Arab realities, this raid is no more dangerous than the Israeli invasion of Lebanon in 1982--an invasion aimed at the PLO but failing to achieve its objective of crushing the organization.

This means that the battle between the two enemies is ongoing and will be drawn out and that neither side has yet been able to decide it by scoring a strategic victory over the other side. This in itself is an important technical gain for the PLO, which has been proving for more than 20 years its ability to stand fast and to move politically and militarily, keeping in mind that Israel is a state that possesses an enormous and sophisticated military machine supported by the United States whereas the PLO is a popular struggle entity with limited resources and one that is besieged and, at times, pursued at the Arab level and that does not have behind it a United States of a different kind supporting it to the same degree that the United States supports Israel, not even supporting it with 1 percent of the support the United States gives Israel.

This is, in our estimate, the correct starting point for viewing and assessing the Israeli raid on the PLO headquarters. This point leads us, in turn, to another correct point, namely that Israel has not pursued the PLO and its factions in the battlefield but has resorted to violating the sovereignty of an independent state which is a member of the United Nations and a friend of the United States in order to bomb the PLO's political headquarters and the residence of its chairman which are located in the territory of this state.

Consequently, the Israeli terrorist act has gone beyond the organization and Israel has aimed its missiles at the heart of international law and has punished a concerned state, regardless of whether Arab or non-Arab, because it has exercised its legitimate sovereign right to take a position on the Palestinian-Israeli conflict which does not please or satisfy Tel Aviv.

This means, in the first place, that Israel has gained internationally the right to reach out with its aggressive arm to hit a country like Greece, Italy, India or Pakistan, considering that Sharon said that "Israel's security and vital sphere extend from the Maghreb to the Indian subcontinent."

This means, in the second place, that Israel denies all the Arab countries not just the right to exercise their sovereignty but also the right to exercise their pan-Arab commitment to support an Arab liberation movement. It also means that these countries must be subservient to Israel or must, at least, take a neutral position toward the conflict.

The question that arises in this regard is: are we facing a super-state unmatched in modern history and one that surpasses the two superpowers, the United States and the Soviet Union, in its capabilities in order that it may appropriate for itself the right to violate international law and the sovereignty of independent states, to do so repeatedly, and to stress that it will not stop doing it?

#### Israel the Entity and Israel the Aggressor

By any realistic criterion, Israel is no more than a small state with unstable foundations and with extremely limited human and economic resources. Regardless of what is said about the size and quality of its forces and of its advanced technological capabilities, at least in comparison with the Arabs, it certainly does not possess intrinsically either the political or the military capability to engage in this type of terrorism, which sets a serious precedent in international relations.

This is why little Israel in itself is one thing and Israel's great, aggressive capability is something else. This capability with its long arm was not available to Israel when Israel's main alliance was with West Europe, particularly with France. Israel began to amass this capability when it shifted the center of its strategic alliance from Europe to the United States in the wake of the 1956 war. This capability then began to develop with the development of the U.S.-Israeli alliance, especially under President Reagan's administration, to reach the level it has now reached militarily, politically, and economically.

This is why the current Israeli aggressiveness, whether in the form of bombing the Iraqi nuclear reactor in 1981, of invading Lebanon in 1982, or of raiding the PLO headquarters in Tunis in 1985, means specifically the following in realistic criteria: Israel, plus the United States or what has come to be known internationally as the U.S.-Israeli alliance whose counterterrorist activity has extended to reach the national liberation movements extending from the Arab area to Sri Lanka, Angola, El Salvador, and Nicaragua in Latin America.

What is worth noting here is that Arab friendship for the United States has not succeeded in being turned into an umbrella protecting the friendly countries from the aggression of this U.S.-Israeli alliance. This protective umbrella has continued to be confined to so-called foreign intervention, basically meaning Soviet intervention or inter-Arab intervention. If this umbrella were to extend to protection against Israel and its schemes, such protection would weaken Israel and reflect negatively on its role in the alliance.

In accordance with the alliance, one of the tasks of the United States is to protect Israel from the political, military, and economic reaction to its aggression and to absorb Arab wrath or rebellion simultaneously in two ways: to benumb the Arabs with palliative utterances and statements and to threaten either to lift the umbrella of protection against that foreign--fundamentally red--danger whose complex the United States has been able, under backward and political conditions, to plant in the power structure of some Arab countries, or to allude to cutting off loans and aid from a number of other Arab countries where this aid has, as a result of deteriorating conditions in the Arab homeland, become a fundamental part of the social and economic texture of these countries--a part that is difficult to amputate or even curtail without the presence of an alternative based on a return to the policy of self-reliance and to Arab loans and aid. Such a return requires a fundamental political decision which has its social cost and also requires restoring health and vitality to inter-Arab relations.

#### Two Facts

Therefore, the Israeli raid on the PLO headquarters in Tunis can be dealt with seriously, responsibly, clearly, and effectively only in the light of two basic facts that characterize the current phase of the Arab-Israeli conflict:

-The first fact concerns the Washington-Tel Aviv strategic alliance which has reached under President Reagan's administration a level of depth and complexity in all the political, military, and economic spheres that is unprecedented in the history of U.S.-Israeli relations since the inception of Israel in 1948.

-The second fact is that all the Arab countries, perhaps with the exception of the PDRY, have rushed in recent years to strengthen their relations with Washington to a degree also unprecedented in the history of U.S.-Arab relations under the illusion of protection in a troubled world and from a special enemy--Israel--who is governed by the United States.

But the interaction of the two facts at the Arab and international levels have demonstrated clearly this tragic coincidence, namely that the more the Arabs strengthen their relations with Washington, the greater freedom the United States gives Israel to move aggressively against the Arab countries and to reaffirm its relative control over the area. This enhances the effectiveness of Israel's role in the alliance and Israel's importance as an ultimate strategic reserve for the United States in this dangerous part of the world. In other words, Israel--a small and limited state--has been



licensed to perform the tasks of an imperialist power in the area, even if performing these tasks makes it necessary to attack countries friendly to the United States. This is so because Washington knows how ultimately to dress the wounds of these countries.

#### U.S. Responsibility

This is why the responsibility for the raid on the PLO in Tunis does not, by an objective realistic analysis, fall on the shoulders of Israel alone but falls essentially on the shoulders of the U.S.-Israeli alliance.

We do not wish to prove here the responsibility of the United States with historical precedents in which the direct U.S. role has been exposed by the very U.S. documents revealed sometime after each aggression, beginning with the 1967 war and ending with the 1982 invasion of Lebanon. It suffices in this regard to refer to the memoirs of Johnson, Nixon, Carter, Kissinger, Alexander Haig, and others.

We also do not wish to pause before the phenomenon of the intensifying Israeli aggression committed in a concerted and ferocious manner in the wake of the isolation of Egypt and the conclusion of the Camp David accords and the documents appended to them. Camp David represents the model in Arab-U.S. relations.

Neither do we wish to point out what has stunned the entire world, namely the U.S. president's statements warmly supporting the raid and describing it as a legitimate act against what the president calls terrorism.

Details bearing stunning evidence and proof have begun to surface, exposing the direct U.S. responsibility for the raid.

These details include, just for the sake of example:

First, the statement made by an official of Fiumicino Airport in Italy that the Israeli planes which raided Tunis were refuelled in the air by U.S. aircraft which took off from this airport without the Italian government's knowledge. It is well known that NATO has in Italy private airfields, most of which are supervised by Americans and which enjoy the so-called "status of territory with special sovereignty." This status allows them free traffic without permission from the NATO member state in which such territory with special sovereignty exists.

This perhaps explains, first, the important questions concerning the technological capability to refuel twice in mid-air eight bombers and eight fighters protecting them.

It also explains, the extreme anger expressed by the Italian government and by Craxi, its prime minister, who has been accused by Peres of being harsher in his anger than the Arabs themselves.



Second, the statement by a U.S. Department of State official who declined to identify himself that the Israeli government had previously discussed with the U.S. administration a plan to strike the PLO offices in Jordan and that the White House refused to permit the Israeli government and prohibited it firmly from doing so. This means that the raid was, in principle, the subject of discussion between Washington and Tel Aviv. If President Reagan can prevent Israel from dealing Jordan a blow, then he can consequently permit or agree to diverting the blow from Jordan to Tunisia.

Third, prior to the raid, the U.S. Pentagon contacted a prominent Jordanian official to warn about what he called the 17th Division to be launched by the PLO recently to carry out armed actions in and outside the occupied territories and to ask the Jordanian official for information concerning the brigade and its connection with Yasir 'Arafat personally. This Jordanian official told the Pentagon that he believed that the 17th Division was no more than a fedayeen organization in the occupied territories which has assumed this name which belonged to Yasir 'Arafat's special guard when 'Arafat's headquarters was in Beirut prior to his departure in August 1982. But the Pentagon insisted on Yasir 'Arafat's personal responsibility for the 17th Brigade and that 'Arafat must pay the price for this personally.

Fourth, the statements attributed to George Shultz and to Alexander Haig and other U.S. officials before him that 'Arafat and his colleagues pose the main obstacle to a peaceful settlement to the Arab-Israeli conflict, that they inject poison into the Camp David accords with Egypt, that they restrict King Husayn's movement to embark on direct negotiations with Israel under U.S. sponsorship, and that they insist on an independent state, even if within a confederal framework, and on an international conference with the participation of the Soviet Union. Consequently, eliminating the members of this command has become an inevitable requirement.

#### What Is To Be Done?

In the light of all of this, we are faced with the question: what is to be done?

Any sound answer to this question dictates that we take the following given facts into our consideration:

First, the enemy is no longer Israel alone but rather the U.S.-Israeli alliance.

Second, U.S. monopolization of Arab international relations provides no protection to any Arab country, regardless of how friendly it is to the United States, from Israeli aggression. This is because the aggression serves the cause of the U.S.-Israeli alliance and bolsters its role and influence at the Arab, regional, and international levels. In balance, this alliance's scale always weighs heavier than the scale of friendship with all the Arab countries, regardless of their tendencies.

Third, the Israeli raid on Tunis has extended the conflict from its conventional Arab East arena to the Arab Maghreb arena for the first time since 1948. Consequently, distances are no longer enough to provide security to certain Arab countries and not others.

Fourth, the violation of Tunisia's sovereignty was for the purpose of punishing Tunisia for its relations with the PLO and with the Palestinian people's cause. Consequently, every Arab country is threatened, unless it severs its relations with and disavows the Palestinian people and the PLO.

Fifth, confrontation with the U.S.-Israeli alliance has become more serious and complex than confrontation with the Arab-Israeli conflict within its narrow limits. Therefore, the situation objectively surpasses Camp David with its sins to managing the conflict on the basis that it is a matter of life or death in which the inter-Arab conflicts seem trivial, feeble and, at the same time, fraught with catastrophic consequences.

Therefore, we believe that the beginning of the answer to the question of "what is to be done" lies in holding a responsible Arab conference at two levels, under any slogan or banner and without any protocol or diplomatic complications: conference at a popular level and an official level to study how to confront the U.S.-Israeli alliance and not just the Israeli enemy, to provide an answer--an answer binding on every Arab side, be it at the governmental level or at the level of popular organizations--to the question of whether the United States is a partner in peace or in aggression and, finally, to figure out the logical consequences emanating from this answer.

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EGYPT

## METHODOLOGY, CRITERIA FOR STUDYING ISLAMIC RESURGENCE

Cairo AL-AHRAM in Arabic 1, 8, 16 Oct 85

[Article by Fahmi Huwaydi: "The Islamic Phenomenon in Egypt Reviewed"]

[1 Oct 85 p 7]

[Text] The ongoing debate on the Islamic phenomenon in Egypt has mentioned much but has failed to explain many of the important variables of that phenomenon. Moreover, this debate has been so frank and comprehensive that it has easily revealed to us the misconceptions that are held by some intellectuals. Furthermore, it has provided us with a complete and free analysis of some of the flaws of our intellectual life.

In addition, although critics of the debate have decried its weaknesses and flaws, the fact that the debate occurred should be considered a success, and it should be continued, particularly if equality, justice, and freedom can be maintained. The importance of preserving these conditions does not emanate from the fact that a debate is the vehicle that is used by any civilized nation primarily to deal with intellectual and conceptual problems, or because we still need more understanding of the facts of this phenomenon without disdain, distortion, or exaggeration, but also because there is still a pressing need for a serious study of the elements of this growing phenomenon.

If we review the factors which were not included in the debate, we will find that some of these factors are methodological, some are structural, and some are contextual in nature. Therefore, it seems necessary for us to agree within the methodology on a set of principles and to define certain self-evident and accepted variables so that we can see with some clarity the true dimension of this problem.

### Conceptualization

The first of these principles is related to the subject that is being discussed. Concepts like "Islamic awakening," or "Islamic current," or "the religious question" have been extended during the debate to include various instructions and practices without differentiation between their distinct natures and different elements. However, if we were to use a precise

magnifying glass to read all the instructions and practices, we would discover a confusion in the analytical methodology and a grave error in the conclusions that were deduced from this analysis. Therefore, we are compelled to try to unravel the confusion and the ambiguity before discussing any of these conclusions:

- There is a consensus that the instructions that are used as arguments or as tenets by Muslims are not one in nature and vary in magnitude and degree, with divine revelation, whether in the form of the tenets of the Qur'an or the revelation that is reflected in the Sunna of the Prophet, overriding all other rules. The Qur'an is what is conceptually called "religion" or "Islam" and is the only thing that binds Muslims and for which they are accountable.

Next to religion, which is God's creation, there is the fiqh [Islamic jurisprudence], which is a human creation and the aggregate effort of Muslim jurists throughout the ages to collect Islamic legal decisions that they discovered to deal with new matters and events which are the result of change in time and place.

However, these legal decisions and instructions do not bind Muslims in any way, but they should be viewed within the context of religion, and are accepted or rejected according to this criterion.

In addition to the above, there are the assertions of the leaders of certain groups that are linked to the Islamic phenomenon, or bands that have come into the limelight at one time or another on the ground that they are Islamic groups. These assertions, and I do not say ijtiadat [independent judgments], bind only their perpetrators and those who imitate and follow their path. Moreover, most of these assertions are rejected either because they lack validity or awareness or both. However, when the Islamic phenomenon and violence are linked to the Qur'an and the sword and are justified by Islamic practice and the call to God, fairness compels us to ask: What is the position of the tenets of Islam concerning all of this? When fears are aroused concerning the status of non-Muslims in the Muslim community because of an Islamic jurist's legal opinion or the decision of a Muslim judge, one has to remember that the tenets of Islam remain the sole arbiter.

Furthermore, when the adequacy of Islam is questioned because of a jurist's denial of other human knowledge and experiments, or because someone else asserted that the Shura in Islam is formal and instructional but not obligatory, or that a third affirmed that photography is forbidden and that it is a sin for a woman to drive a car, the requirements of systematic research commit us to assert that these ijtiadat [independent judgments] belong to their perpetrators and are judged by Islam and not the other way around. This is the way it should be.

#### Groping in History

There is another point that is worth considering here which is related to the method of inference that uses Islamic history. The nation of Islam which extends to different parts of the world has known throughout Islam's 14

centuries many experiences, opinions, and ijtiadat that have been varied and have often been contradictory. This fact has given anyone the opportunity to choose and to find support for any assertion one may be presenting. This subjective method of inquiry compels us to find a more reliable and objective method of inference.

In view of the fact that the Qur'an glorifies the mind and urges people from time to time to think, to meditate, and to observe God's creation, which explains Imam Abu-Hamid al-Ghazali's statement that the first thing God created in man was his mind, it is indeed surprising that Islam is disparaged because of a modern jurist's attack on the mind.

Moreover, there is yet another argument that has been repeated often which seems valid on the surface. It asserts that Islam is not self-explanatory but that there are people that explain and interpret it whose ijtiad, right or wrong, has been corroborated by established tenets. This has led to a traditional question based on the above argument: If this is the case, which Islam should we endorse, particularly since each pretender claims that his Islam is the true one? The answer to this question is twofold:

- One answer is tied to those who oppose ijtiad on the ground that not every Muslim can become a mujtahid [independent judge] whose opinions should be followed, because the conditions necessary for ijtiad have been set out by Muslim experts and scholars in Islamic jurisprudence. Moreover, if Islam has its reasoning for not accepting a clergy or a religious structure in the Muslim religion, this does not mean that things should proceed without guidance or coordination and that ijtiad should be carried out by any scholar or charlatan. However, this does not rule out the fact that there are experts in Islamic jurisprudence who should be consulted on problems that may arise in this field.

- The second part is tied to the principles and rules of ijtiad because there is a comprehensive science in this field that grew out of the diligence of the experts in Islamic jurisprudence throughout the centuries who have defined the methods to be used in discovering the laws of Islamic jurisprudence. For one reason or another, the science of Islamic jurisprudence was not permitted to play its natural and effective role in Muslim life.

The traditionalists [in Islamic jurisprudence] are the architects of the just and rational Muslim mind. They affirm that Islamic canonical law depends on exigencies. Furthermore, they divide exigencies into necessary interests upon which human lives are based, facilitating interests that ease people's anguish and improvements that beautify their lives and help them to grow.

Moreover, the traditionalists took from the Hadith of the Prophet the saying "no harm or harmful people" and made it into an Islamic tenet that would guide their efforts in achieving good and rejecting evil. Ibn Qaym al-Jawziyah, one of the most famous traditionalists, stated the following wise words: "If the signs of truth are revealed, the proof of justice is ascertained, and God's light hovers over every road, then God's law, religion, contentment, and rule reign supreme. God the Almighty has not restricted



justice, its evidence and laws to one path to the exclusion of all other paths that might be stronger, better supported, and clearer. Rather, God has shown that the goal of the paths He has revealed is to establish truth, justice, and to teach people to achieve their fair share of good. Therefore, any path that leads to the truth and helps to implement justice should be followed and its laws implemented."

Thus, we are not faced, as it has been portrayed and imagined, with an obscure religion without form, color, or taste that can be used as a mount for any rider, a gift for any wisher, or a tool in the hands of any capricious or impetuous man. Rather, we are facing a crisis in understanding and awareness that has been caused by one group that has defined Islam based on orientalist's books and daily newspapers, and another group that assumed its position of leadership in the [Islamic] call without knowledge, guidance, or an enlightened book.

#### Failure or Misuse

This brings us to the subject of the practices that have been used by many to criticize Islamic practices or to call directly for the rejection of Islam altogether because it has proven its failure in its past and recent experiments. Moreover, this accusation compels us to discuss the following basic problem: Who judges whom [and what is to be judged--], the theory, or the practice? We would agree with one who asserts that the practice cannot be separated from theory if the theory's provisions are faithfully implemented in its practice.

In Islam not everyone that nominates himself a caliph or commander of the faithful and calls for the collection of alms, the execution of legal punishment, and respect for prescribed rules of conduct should be considered a model of Islamic practice to be compared with or used to justify one's actions. The deceased imam of Yemen, Yahya Humayd al-Din, did not violate these "obligations" and followed them religiously. However, the Muslim jurists of the Zaydi sect passed a judgment calling for his death in 1948 on the ground that he was an oppressive ruler whose nation lacked justice and did not subscribe to Islamic tenets in the implementation of legal punishment. Therefore, the blood of one of the pillars of Islam and the Muslim community was unjustly shed.

To accept the argument that Islamic practices should be disregarded because of their failure would lead us to support the appeal to disregard Christianity because it failed to defend morality and virtue in the West and to reject democracy because it failed to ensure the political participation of the masses in power in the third world countries. Furthermore, we would have to disregard the appeal concerning the supremacy of the law because it failed to protect human rights in those countries. Therefore, if we follow the rejection due to failure argument, there would be no limit to what we can reject.

To judge value or principle on the basis of their phony or distorted applications would be logical and methodological sophism. One wonders why

correct logic prevails when principles, creeds, or sects are concerned, but the same logic goes awry when some people consider Islam. We have not heard a voice calling for the rejection of Christianity, democracy, or the rule of law because of their misapplications. Instead, all comments have emphasized the "violations" of the teachings of Christ, democracy, and the rule of law.

On the other hand, when the tenets of Islam are misapplied, the critics consider this a "failure" which cannot be rectified or corrected and would require the rejection of Islamic laws and the search for an alternate religion.

### "How" Instead of "No"

On the other hand, the demand to disregard the question of the laws of Islam altogether is an attempt to deafen the call to open the debate or to continue it. The reason is that the true Muslim believer understands that the tenets of his religion include commandments that regulate his worship and his conduct. These commandments deal not only with the individual but also with society and its institutions. When someone informs that believer that he is free to worship as he wishes but that religion is separate from the state and that it is better for him to remain in good standing in mosques, prayer niches, and birthday places of saints, that believer will realize that the above statement is openly requesting him to abandon a part of his religion and to sacrifice a part of the divine commandments simply because one group feels that it is not possible to apply the laws of Islam in our time. Moreover, this believer will also realize that the above statement is based on some other group's belief in the necessity of the separation of church and state, or on a third group's fears of the [islamic] call for one reason or another.

This type of thinking has put millions of believers in opposition to traditionalists, rejectionists, and alarmists, which might create a dangerous situation and an unpleasant confrontation. Furthermore, we do not know how methodologically a debate can be opened by obstructing and closing the file on the very subject of that debate, something which would put an end to debate rather than start it.

The debate will not stand a chance unless the stifling effect of the word "no" is changed to a debate environment in which the main question is "how?" This appeal does not require the elimination of the reservations of the skeptics and the alarmists. Moreover, it does not necessarily lead to an acceptance of Islamists' beliefs.

### Valid and Unwarranted Questions

The skeptic has the right to express his beliefs, to explain his arguments, and to record his reservations without becoming the target of accusations and without becoming suspect. Moreover, the alarmist has the right to express his fears and to insist on his right to feel secure and to be treated equally and justly. However, it is not the right of one group or another to barricade itself behind the word "no" from the start, particularly when the matters that

are rejected embody the requirements of true faith and when the source of this rejection is the minority while the majority is strongly supportive of the tenets of Islam.

Questions concerning matters related to democracy, the freedom and rights of non-Muslims, and the various legal, economic, and cultural conditions are not only valid questions but are also warranted. Moreover, Muslims should be open-minded and should consider replying to these questions with facts, logic, and culture derived from Islam. However, their response will not be convincing if it is based on a general reply that refers the questioner to the Qur'an, based on a misinterpretation of God's saying: "The Book covers everything." Furthermore, such a response will not be acceptable if it attempts another restrictive technique which calls first for the implementation of the Shari'ah and then for the discussion of the details.

This has been our discussion of the methodology and principles of the debate. We will discuss at a later date its features and elements and then its framework, God willing.

[8 Oct 85 p 7]

[Text] If the objective of the debate concerning the Islamic phenomenon is to achieve a degree of understanding and agreement about it, this will not be accomplished in the absence of reliable information in the hands of the interested parties. Moreover, if the past debate has shown basic weaknesses in the methodology of this debate, a point which has been covered in the previous article, there are similar weaknesses that appeared in its features which is the subject of this article.

For example, we need to explain and clarify the nature of the role of Islam, in the texture of Egyptian and Arab society in general. This is due to the strong hold Islam has on the Muslim Ummah [community of believers]. This characteristic should be clear to all, because after 14 centuries of continuous presence and of molding all facets of life, Islam has infiltrated deeply into the texture of society to the point where it controls to one degree or another people's existence, not simply as a religion, but also as a civilization and culture and a model of social behavior. Thus, Muslims adhere to Islam because they believe in its doctrine and at the same time non-Muslims, i.e., Copts and Jews, have shared with Muslims a common history, civilization, and culture which has led them to share with Muslims certain traditions that are typically Muslim. This phenomenon attracted the attention of Western researchers in the past century when they noticed to their amazement how Copts and Muslims celebrated their holidays together and how they went together to visit various shrines. Makram 'Ubayd Pasha showed a good understanding of this phenomenon through his famous statement: I am Muslim because of my country and Christian because of my religion.

It is also worth noting concerning the population structure of the Arab world that the ancient non-Arab minorities who have Islam as a common denominator, particularly the Berbers and the Kurds, are greater in number than the religious minorities who are united by the Arab character, the Christians and the Jews.

The basic identity of this Nation, for one reason or another, does not extend beyond the limits of Islam and Arabism. Moreover, if the development of the Islamic phenomenon is regarded primarily as an expression of obedience to God and his tenets, this phenomenon has another dimension, i.e., a clinging to and pride in identity.

Therefore, this marked Islamic tide which is subject from time to time to various forms of criticism, defamation, and accusation should make us happy, either because it reflects an increase in God's worship or because it is an expression of a struggle to prevent cultural annihilation by Western intellectual and psychological hegemony. We would not be exaggerating if we said that seeking shelter in Islam remains our only salvation from plundering and cultural dependency.

Things being what they are, it would be wise and beneficial to channel this Islamic tide in its positive endeavors and to guide its path so that this phenomenon does not result in a negative effect, i.e., that clinging to one's identity does not lead to isolation and seclusion and that resistance to Westernization does not lead to rejection of progress and an insistence on backwardness.

#### Islam and Theocracy

When we review the features of the Islamic phenomenon we discover in the oral and written criticism of this phenomenon a continuing confusion between the concept of the Islamic state and the theocratic state as defined in Western thought. This ambiguity has obscured the thinking of many because of the hegemony of Western cultural heritage on one side and because most of those intellectuals learned about Islam from Western or other sources rather than from its authorized sources.

In practice, there is a big difference between the Islamic state and the theocratic state. While the ruler in the latter derives his legitimacy from divine right, the ruler in the former derives his legitimacy from the masses' pledge of allegiance: "Islamic leadership is a contract" whose life depends on the "choice of the Nation," which is the "holder of the collective leadership." These are expressions that were used by the Sunnah experts, by proponents of speculative dogmatism, and by the Kharijites to determine what was commonly called the ruler's edicts.

Furthermore, if the ruler in the theocratic system implements the will of God as he sees it, the ruler in the Islamic state implements the Shari'ah of God but he is not entirely free to interpret its provisions, because such an interpretation is subject to certain basic rules, regulations, and principles as we stated earlier. Moreover, these provisions' goal is the interest of humanity in this life and the hereafter. This is why the Qur'an did not use the expression "the one in charge" anywhere because the ruler does not have absolute power, but instead the Qur'an refers consistently to "those in charge." This had led Islamic jurists to state that "autocratic rule is forbidden" and that Shura [consultation] is required as a holy commandment, whether it is entrusted to those we call Ahl al-Hal wa al-'Aqd [those in power] or to Ahl al-Shura [counselors] or other similar titles.



Furthermore, if power is in the hands of the clergy in a theocratic state, Islam, at least insofar as the Sunni sect is concerned, does not have a clergy or clergymen. This leads us to two questions which were brought up in the debate and which dealt with what needed to be corrected or clarified in that debate. The first of these questions is related to the role of mankind when dealing with divine provisions. The second question concerns the surprise that has been expressed by some concerning dealing in our time with provisions which are 14 centuries old.

### They Are Not Divine Edicts

The criticism of the alleged relation of man to divine provisions as defined in the Shari'ah has centered around the fact that the divine origin of these provisions has restricted the human role and has prevented the possibility of dealing with other human experiments. However, all the arguments and evidence that were presented to us on this subject failed to provide us with any provision that calls for either of the above allegations, or with even an authentic *ijtihad* that supports such allegations. Therefore, and in order that we may be able to clarify this question, we ought to remember that the tenets of Islam center around religious observances which are based on adherence and social behavior, which in turn are based on innovation. That is why the great Islamic jurist al-Shatibi asserted that the basis of religious observance is ability so that undue hardship and anguish are removed. This is also true concerning the act of worship about which the Qur'an states: "Fear God whenever you can." Furthermore, it is not true that Islam regards men as moving receptacles whose role is limited to receive and to obey. Moreover, the tenets concerning social conduct which have been the subject of so much controversy are not divine edicts to be applied verbatim without any reservation. Instead, there are objective conditions for their implementation. If present, then the tenet is observed, otherwise one should rely on supportive provisions.

However, even if those conditions are present and there is an interest that would be served by not enforcing the tenet, priority should be given to that interest. In this context Ibn al-Qayyim wrote his important book, "Notice of the Signatories," in which he stated that the Prophet, may God bless him and grant him salvation, prescribed to his Ummah [community of believers] the need to reject evil so that good may prevail. However, a certain amount of evil is tolerated if its rejection would lead to something more reprehensible to God and to his Prophet. To clarify this point, He gives the example that if a man is occupied with obscene books and the like and could be diverted away from them by getting him interested in books of heresy, deceit, or sorcery, it is better to leave him with his first books. Furthermore, He also referred to the necessity of preventing theft, which the Prophet emphasized during his conquests so that the enemy would not be angered by such acts. 'Umar ibn al-Khattab forbade theft in the year of the famine.

Within this context peoples' customs, the praiseworthy ones of course, form a part of the Shari'ah. This is why there is a chapter in the Qur'an entitled "The Heights" in which God stated in his guidance to his Prophet: "Hold to forgiveness and command what is right." Furthermore, in the Hadith



the Prophet stated: "What the Muslims consider good is also good in the eyes of God." In addition, one of the most famous sayings by Islamic jurists affirmed: What is customarily good is similar to what is unconditionally stipulated; and what is confirmed by custom is like what is confirmed by writ. Furthermore, Islamic jurists affirmed also that custom is an exact law. The imam Malik used to swear by the practices of the people of Madinah, which led to the appearance in the Maliki sect of a large chapter on the law of conduct. Furthermore, in the Arab West where the Maliki school is followed, the books of Islamic jurists have contained chapters on the Fes practice, the Sousse practice, and the Granada practice as reference to the customs of these countries.

If this is the case, what is the basis of the interpretation that alleges the existence of barriers and restrictions between what is divine and what is human, and which portrays Islamic society as a paralytic which is chained by tenets and is unable to move. Furthermore, as to the assertions made by those with distorted thinking who claim that man should be bound only by the Qur'an and the Tradition and that he should reject all other human experiences, and those made by preachers with incomplete thinking are so trivial that they are not worth discussing. However, we would like to remind them of the Hadith of the Prophet which states: The believer should seek wisdom and when he finds it, he is the most deserving of it.

#### Adherence and Innovation

We can summarize as follows the response to the critics who wonder how we can deal in the present time with provisions which are 14 centuries old, and who argue that the "antique" provisions cannot deal with the demands of a changing world:

1. Despite the fact that Islamic jurists have considered that innovation rather than adherence, just as in religious observances, is the basis of social interactions, most of these judgments are general concepts that are similar to the general principles that have enabled people to shape details to fit their interests during different periods.
2. The fundamental task of Islamic jurisprudence is to create rules and regulations to be used to discover Islamic judgments to deal with unregulated questions or with new problems in peoples' lives. In other words, Islamic jurisprudence should be the true "tool" upon which people should rely to grow and to deal with changes.
3. The concept that links the change in circumstances with the change in times is not a new "discovery" and Islamic jurisprudence has dealt with this subject for centuries. Ibn Qaym al-Jawziyah did a famous research work on this subject, which he wrote 650 years ago, entitled: "Judgment concerning the change and difference in Islamic jurisprudence according to the changes in time, places, circumstances, intentions, and customs.

Furthermore, the story of Imam al-Shafi'i is well known; he changed some of his independent judgments [ijtihadat] when he came to Egypt from what they

were when he was in Baghdad because he was dealing there with a different environment.

We still have a few words to say on the required features in a debate:

First: The subject of Islamic practice is not as simple as some might imagine. The belief of some that the establishment of the Islamic community awaits a decision, a law, or even a body of legislation is a shameful simplification. This honorable goal requires honest and persistent work which needs a positive atmosphere that would permit seeds to grow, the cultivation to continue, and the harvest to occur in its due time. Furthermore, the reader of these words would be wrong if he concludes from it that the "Islamic solution" is ready and waiting for formulation and approval. What I wanted to say is that this solution is "possible" if we work hard at it. However, this solution is not "deficient" as has been rumored by some, or "impossible" as others would like us to believe.

Second: Some might feel that this article is biased insofar as it has chosen certain facts and evidence to support a position the writer has endorsed, a criticism which I had directed myself to the critics of the Islamic phenomenon. Moreover, my critics can say that what I endorsed does not constitute the only position in the field of Islamic thought or that there are other positions that are different and even contradictory to my own. My response to this criticism is that even if I am biased toward a positive way of understanding Islam--which if true is a bias which would honor me--it would at least mean that the field of Islamic conceptualization includes other trends aside from that negative trend which critics study exclusively and to whose weaknesses and faults they point.

The judgment and decision concerning the various concepts should be based on a correct understanding of the tenets of the Qur'an and the Sunnah. Moreover, our method of developing this necessary understanding should be based on debate and evidence so that we can uphold the truth in the final analysis.

We have still remaining a third and final position concerning the "undulations" of the Islamic phenomenon and its framework.

[16 Oct p 7]

[Text] If we were to try to define the "Islamic current" at its farthest dimension in any so-called debate on the "religious question," we would be surprised to find how many questions would rush through our minds like "what," "who," "how," "when," and "where." Furthermore, we would also be surprised that each question would have many and varied answers. If we were to continue our search, we would find again to our surprise that these answers would provide us with contradictory impressions and pictures concerning the definition of this trend. However, most definitions agree on one thing, i.e., that this current is "Islamic," which takes us back to where we started with many puzzling questions still unanswered.

Those who follow the writings and numerous indications of this subject and attempt seriously to understand or to delineate this current will be faced

immediately with a problem, i.e., they will be unable to determine with any degree of precision whether these writers are honest and free or whether they are tricksters, evil, reformists, saboteurs, or whether they are level-headed and rational or crazy and senile, or whether they are preachers whose objective is to please God, or whether they are agents of the oil-producing nations and a "part of a political game that supports the interests of imperialism and Zionism," as has been alleged lately by one of those writers. Furthermore, does the story have any source or foundation, i.e., do [the Islamists] have a real existence or are they more like "demons"--everyone refers to them, but no one has ever seen them except through "incidents" that occurred to some with different resulting stories and details. Thus, despite the fact that we face an exciting phenomenon that has captured the attention, curiosity, and fears of everyone, the attempt to outline the elements of this phenomenon has become an attempt to study the unknown and maybe to talk about something of which one knows nothing. Therefore, any ijtiḥād within this context will be fraught with difficulties and will fall short at the end. However, we have to proceed with our attempt if only to try to pinpoint the parties that are involved in this debate.

### Unsuccessful Explanations

Let us risk making some assumptions and ijtiḥādāt in an attempt to understand the nature of this dimension: the absent presence. At the outset, it is easy to realize that we are not faced with an artificial or spurious phenomenon but with a genuine one. Moreover, it is an important phenomenon which is growing with time and whose aspects are present in each family, work place, and institution of learning.

Furthermore, the widespread nature of this phenomenon requires a new explanation that extends beyond the ijtiḥādāt which circulated in the late seventies and early eighties that regarded the new groups of devout Muslims as poor groups who were unable to handle the problems of our world and thus took refuge in the hereafter. Moreover, these ijtiḥādāt have viewed Muslim women as poor women who were attempting to hide the flaws of uncombed hair, a face that lost its youthfulness because of lack of nourishment, and old clothes that do not follow the latest fashion by wearing veil and wrap. In addition, they viewed these groups as farmers who were choked by city life and therefore turned their backs on it, or as rich people who became bored and renounced a life of luxury for a pious life. We can add to these explanations other interpretations whose triviality and shortcomings were proven by future developments.

We still do not understand and we are still amazed at the determination of some to view the various human beings who devote themselves to God not as equal men with emotions and an intellect but as "cases" that should have been submitted to a psychologist but instead missed their way to the psychologist's office and ended up in mosques instead of psychiatric institutions. Furthermore, some of these devotees were accused of being "agents" planted by various Eastern and Western intelligence services who ordered them to grow their beards and wear a wrap to play a role planned by the demons of the earth to implement infernal plans to destabilize the world.

We accept the statement that major shocks lead to change in peoples' lives. We also nod our heads in acquiescence and approval when we hear of what happened in the Soviet Union following the siege of Leningrad, what happened in Japan after its defeat by the Americans, and what happened in America after the Vietnam defeat. However, when we stated that the June 1967 defeat reverberated in the depth of Egyptian and Arab souls and that it played a major role in the surge and activation of the Islamic phenomenon, some people were bothered by this explanation and came up with many arguments to convince us that we are not like other human beings and that norms and laws apply to all men except religious devotees, who remain "special cases" who can only be understood through psychoanalysis or through a review of the files of international intelligence services.

Furthermore, we read lately a new *ijtihad* that rejected any correlation between the Islamic phenomenon and the June defeat and instead asserted that the correlation between this phenomenon and the 1973 October War is more likely and stronger, and it referred in a disguised way to a "certain correlation" between the increase in oil money and the growing Islamic trend. This is an unfair *ijtihad* which should be discussed because it has been refuted by objective and historical evidence. In Egypt, for example, mosques increased by 30 percent in the period that immediately followed the defeat between 1967 and 1969. Furthermore, membership in the Sufi brotherhoods increased between 1967 and 1970, according to its leading religious leader at the time. In addition, the first camp for the youth of the Islamic group, which included students from the various universities and whose size and role grew subsequently, was established at Cairo University in 1968 only 1 year after the defeat. We do not know how one can ignore such facts and continue to argue that the Islamic phenomenon resulted from the oil era and not from Arab defeat and frustration. Furthermore, we are equally unable to understand why some of our thinkers attempt sometimes to blame "foreign quarters" when dealing with this subject, thus narrowing and transforming this debate into an accusatory exercise which is not based on clear evidence but rather on insinuation, backbiting, and disparagement.

#### Why Disparage Everyone

We do not imagine from a theoretical perspective that all the strata of the religious current are innocent and not subject to any suspicion or blame. It is only natural that the various interest groups would attempt to control them and use their elements to serve their interests, as would any other "secular" current. However, this does not mean that basically both the religious and secular trend, if such a term can be used, are nothing but roaming convoys which are controlled by the "foreign side" who is referred to explicitly and implicitly.

Furthermore, to state in a general manner that the strata of the Islamic trend are nothing but categories of holy and virtuous men would be an obvious error. However, it would be an equally unforgivable sin to accuse and disparage them all. We do not know what it would serve to volunteer to tarnish the reputation of thousands of believers and distort their image if we consider that these so-called "agents" are the symbols and hope of tomorrow.



Moreover, it is not that type of indiscriminate and groundless disparagement and distortion that really serves the interests of imperialism and Zionism.

### The Neglected Body

The other matter that should be considered in the attempt to define the characteristics of the Islamic current is that it is divided into two basic groups:

--A group made up of religious devotees who came to God in great numbers in the past two decades and whose main concern is to obey God according to their intellectual and educational capabilities whether in their attire, performing the hajj and the 'umrah [minor pilgrimage to Mecca], filling mosques, following leading preachers, and other manifestations of traditional religiousness.

Members of this group form a foundation whose size cannot be determined precisely. However, there is a consensus that their number is quite large. More importantly, the mixture of religious believers and dervishes has no ties with moderate or extreme Islamic organizations, with imperialism or Zionism, or East or West. They are rather a large body without a head that is moved by its pure Islamic emotions and what it believes to be its duties according to divine tenets.

No one is interested in the characteristics, tendency, and the wealth of good faith which belongs to the larger and more important sector in the Islamic phenomenon and which could be translated into a glowing light in practical life. However, what did attract wide attention has been this second group in the Islamic phenomenon.

--The second group includes organized teams we might call "militant Islamists" who are seeds that grew in the soil of the first group. In the beginning, they were devout individuals who followed a certain guidance or call that appealed to them for one reason or another. They then gathered around the preacher or the guide and formed a small body with a well-defined form that included a head and a mind. The body began to grow. However, the growth of the mind was stifled for lack or failure of general guidance on one hand, and for absence of public awareness on the other, due to the lack of a legal or convincing framework that could embrace the energy of those devotees, the majority of whom are students with tremendous enthusiasm but with limited knowledge and experience.

Thus, the circle of militant Islamists remained outside the limelight and legitimacy, and it became hard to discover the nature and ideas of these bodies or their real numbers and size. Moreover, the "incidents" that are published from time to time in the newspapers have remained the basic source for the study of the characteristics of this group and all its cells. This process indicates the existence of a "certain flaw" in the study of this phenomenon.

## Why Concentrate on Extremism

Nevertheless, we can affirm two subjects that are worthy of attention:

The first subject: The Islamic current is not one whole as some people imagine, but it includes various entities and bodies that differ in their size, thought, and methods despite the fact that they all rally under the banner and umbrella of Islam. Those who study this current as a whole and burden one of its parts with the sins of some of its other parts commit a grave error and confuse the issue. Furthermore, this is not the place to review the differences between the various cells of the Islamic current, but we can explain the importance of such a review in one sentence: To understand Islam, sometimes we have to stand away from the forest to be able to see the individual trees.

The second subject: Any objective study of the Islamic current should be based on an examination that distinguishes between evil and good and should avoid unfair and irresponsible generalization because it is not true that all the groups of the Islamic current support extreme concepts like violence, atonement and withdrawal, and rejection of the present era and its people. Furthermore, there is no benefit to be gained from concentrating on the extremism of the Islamic phenomenon, which is only an exception, or we will distort the image of Islamic work as a whole. Rather, even on the basis of just national interest, we would have to examine these differences because we are in great need of the outpouring energy of this devout and reformist youth in present and future industry. There is no national conscience that would accept the rationale that calls for wasting and losing these energies and for leading the youth to various feelings of despair which in turn lead to deviation and radicalism.

If the needed categorization is to be achieved, there is no alternative but to examine all groups, bestow legitimacy on all of them, and give all parties an opportunity to debate the real issues without pressure or intimidation.

Therefore, when we study the Islamic phenomenon by reviewing the various opinions on the subject rather than just the incidents that are reported in the media, we have found the right path and have started our first step on it.

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EGYPT

# OPPOSITION LEADERS DISCUSS FORMING NATIONAL FRONT

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/Article: "Egyptian National Salvation Front: How and Why"

/Text/ Rescuing Egypt from all of al-Sadat's policies, correcting the structural flaw that has been part of the Egyptian economy for the past 10 years, confronting corruption, parasitism and subservience, and redrawing Egypt's democratic map are the fundamental objectives of the national salvation front advocated by a number of Egyptian politicians recently.

AL-QABAS interviewed a number of party chairmen and various national forces to find an answer to the question: the Egyptian front, how and why?

Khalid Muhyi-al-Din, the Progressive Grouping Party secretary general, asserted that the party seeks to rescue Egypt from all of "al-Sadat's policies" on the various economic, social, and national issues by adopting a number of reform steps compatible with the capitalist framework currently embraced by Egypt.

The Grouping Party secretary general also asserted that the front will receive a favorable response from many of the existing political forces, excluding the National Party because "it has adopted al-Sadat's policies."

Khalid Muhyi-al-Din announced his welcome to whoever wishes to join this front. "Whoever wants to lead Egypt out of this crisis is a member of this front. I do not have the power to reject or accept any political forces."

Dr Rif'at al-Sa'id, the Grouping Party Central Committee's secretary, said that the front seeks to rescue Egypt from the policy of subservience, from corruption, and from parasitism.

Dr Rif'at pointed out that the National Party has no place in this front "because it is the party that embraces the policies of subservience to the United States, of clinging to Camp David, of engaging in the opendoor economy, and of opening Egypt's gates to foreign banks and to those who plunder the national economy."

The Grouping Party Central Committee's secretary also said: We are not prisoners of war whom anybody may intimidate into meeting in a front with the government or with anybody else. We are fully aware of the difficulty of front-type action in Egypt."

Dr Rif'at al-Sa'id outlined four conditions in the front's program: "I extend my hand to whoever condemns the special relationship with the United States, condemns Camp David, condemns the policy of encouraging parasitism, and urges greater democracy."

Eng Ibrahim Shukri, the Labor Party chairman, believes that the front's area of activity extends to dealing with the special position of Egypt's relationship with the international blocs, to reviewing the policies that have shown us not to be committed to nonaligned thinking, to reviewing the special relationship with the United States, and to giving consideration to Egyptian-Arab relations.

The Labor Party chairman asserted that the National Party leaders do not at all plan to meet with the opposition in any action "despite our full welcome to the participation of any of the ruling party's elements that wish to correct the prevailing conditions."

Dr Wahid Ra'fat, deputy chairman of the New Wafd Party, disagreed with his colleagues in the leadership of the opposition parties: "This front will be on the periphery of constitutional institutions and its recommendations will be disregarded."

Dr Wahid Ra'fat believes that the ideal solution for overcoming the crisis is to convert the Higher Policies Committee into a national committee so that each opposition party may have a minister on this committee "which you can call by any name, be it a coalition cabinet or a salvation cabinet. What is important is actual participation by the other parties. I don't think that the minority parties aspire for power."

Muhammad 'Abd-al-Shafi, the Liberal Party deputy chairman, disagreed with all his colleagues and admitted: "We have failed to maintain the Committee for the Defense of Democracy. So how can we form a front?"

'Abd-al-Shafi asserted that the deterioration of partisan conditions in Egypt is due to the parties' chairmen and leaders "who should have left their positions but who have refused to leave their comfortable seats despite the numerous setbacks afflicting their parties."

The Liberal Party deputy chairman predicted that the Wafd Party is the party that will break from the ranks of the other parties and will cause the collapse of the front, should it be formed.

'Abd-al-Shafi also made this accusation against the Grouping Party: "I tell brother Khalid Muhyi-al-Din that the Grouping Party was the first to destroy the Committee for the Defense of Democracy, which was capable of turning itself into a major party."

The Liberal Party deputy chairman also believes that the ideal solution lies in merging all the opposition parties into a single party as an alternate power to the National Party!



Mamduh Qinawi, rapporteur of the Socialist Labor Party's Parliamentary Committee, believes that there is no objection to participation by all the political parties and forces in this front.

The Labor Party's rapporteur pointed out that this front will generate a "national dialogue" to issue a "prescription" for tackling Egypt's national problems.

Below is the text of the interview:

Khalid Muhyi-al-Din: Front Seeks To Rescue Egypt

Khalid Muhyi-al-Din, the Progressive Grouping Party secretary general, said that the national salvation program is part of the party's program. We have projected this program since "al-Sadat's days." The objective of the salvation front's program is summed up in rescuing Egypt from all of "al-Sadat's policies," in entrenching democracy--but not in the sense intended by al-Sadat--in solving the economic problem within the framework of the existing capitalist system by introducing fundamental measures and reforms leading to economic independence and to putting the country on the threshold of economic development, and in adopting a number of "reform measures," not changes that lead to socialism, even though we are a socialist party. Therefore, the salvation program does not seek to achieve a democratic national revolution. The program seeks to put the country on the path leading to achieving the democratic national revolution which was set back in the "presence of al-Sadat." This is why the program was projected in 1982 after being amended in the wake of President Mubarak's assumption of power as a national democratic program of economic, political, and social reform. Therefore, this program, which we also projected during the latest People's Assembly elections--May 1984--seeks to rescue Egypt from subservience, parasitism, and capitalist corruption. At the same time, this program does not propose a change in economic conditions only. Rather it can be joined by social forces of the opposition and even by some of the forces in power. The National Party may refuse to "join this front" because it is a party that embraces "al-Sadat's policies" in their entirety. However, this front will receive a favorable response from many of the forces present in our society insofar as the national salvation front is concerned. We cannot say that this force will join it and that one will not. But whoever accepts these policies that are included in the national salvation program, which, in our view, seeks to rescue Egypt from the crisis it is experiencing as a result of all of al-Sadat's policy on the national issue and the economic issue may join the front.

Therefore, the urgent demand we are making at present is summed up in two fundamental points:

--The adoption of a number of economic measures, especially the abolition of imports without currency remittance; an end to the deficit in the budget, in the balance of payments, and in the trade balance; abolition of all the exemptions given to foreign investments; a solution to the economic problem through self-reliance; and development of the production capability of our country.

With the entrenchment of democracy, real parties must develop. We do not claim that the existing parties represent all the Egyptian people. The parties law must be amended and all restrictions on the formation of parties and the publication of papers must be abolished. Such parties can thus attract the popular forces and the regime will become a reflection of all the popular and national forces. These forces will meet on the path of actual participation. The citizens can then approve these policies and shoulder responsibility for their consequences. This does not mean that we will approve all policies but means that we will approve the policies that seek to lead us out of the crisis. Thus, the issue of democracy becomes a major fundamental issue. Therefore, the law of election by relative lists must be abolished and the freedom to form parties must be established.

These two points are the bases of common action because we cannot separate the economic issue from economic independence.

Therefore, when we call for a national front we are calling for a front that seeks to eliminate all of al-Sadat's policies which, in our view, have thrown us into a democratic, national, economic, and social crisis.

/Question/ Who will define this front or, in other words, who will have the right to determine the forces of this front?

Muhyi-al-Din: Whoever wants to change these policies and lead Egypt out of the crisis is a member of this front. I have no power to reject or accept any political force because this front "is an act of struggle." An example was given when the Israeli aggression against Tunisia was committed. The opposition parties hastened to take a unified positive stance.

/Question/ There is a pessimistic view insofar as this front is concerned. Some people cite as evidence in advance of its failure the fact that the opposition parties embarked in the past on the experiment of forming the Committee for the Defense of Democracy, which did not survive for long.

/Answer/ The committee was formed for a specific objective, namely to fight the current election law. There are colleagues who joined the committee and who wanted it to incorporate bigger objectives. The issues of the Islamic Shari'a and of restricting freedom and democracy were introduced whereas this committee's sole objectives had been those of amending the law of election by lists and of establishing sound guarantees. However, there were other forces which had no parties and who were not concerned with this issue which then "fizzled out." The experiences of the past assure us that there has to be good will and that a unified common stance by the opposition parties on a certain issue will inevitably have a certain impact on the political street. We will learn from experience. There is no command for the front because any element making greater sacrifices in this action will impose itself as the front's command, since there are no big parties nor small parties insofar as the front is concerned because "front-type action" stresses that whoever struggles more is the leader.

Dr Rif'at al-Sa'id: Rescue from Subservience and Corruption

Dr Rif'at al-Sa'id, the Grouping Party Central Committee's secretary, said:

Egyptian leftist forces generally possess the understanding, desire, and capability to call for the formation of a national front that includes all Egyptian national and democratic forces. I emphasize that our visualization of Egypt's future is founded on the establishment of a democratic national regime that represents a democratic national front. These "words" are not uttered by "our party" in passing but are stipulated in the party's general program. Therefore, front-type action is not just one of this party's concerns but also one of the party's fundamental principles for numerous reasons, the most important of which are:

--We do not claim that we represent the nationalist and progressive forces in Egypt although we are one of these forces.

--We do not claim that we represent even those factions which have representatives in the Grouping Party ranks. Our party does not monopolize the claim of representing the left and it does not claim that just because it has Nasirists among its ranks it represents all Nasirists. It does not claim that because there are Marxists in its ranks, therefore, it represents all Marxists. Consequently, our acknowledgment of the presence of nationalist and progressive forces outside the ranks of the Grouping Party means by necessity our acknowledgment of the importance of an alliance with these forces to set up a front.

The national salvation front's slogan is the slogan raised by the Grouping Party in August 1980. But what is to be rescued? What is Egypt to be rescued from? The Grouping Party has defined the enemies as subservience, corruption, and parasitism. There is nothing else to rescue Egypt from. We want to rescue Egypt from subservience, corruption, and parasitism.

To put it briefly, we seek to rescue Egypt from its persistence in the policy of subservience, corruption, and parasitism. The rescue process is a historic process embodied in uniting all the nationalist, progressive, and democratic forces in Egypt to put pressure on the current regime with the aim of dismantling the policy of subservience, the parasitic system, and the corruption of the regime. From this angle, we believe that, first, there is no place for whoever plans the policy of subservience and whoever approves it to join such a front. Therefore, we find it unlikely that the Egyptian rulers will move close to the front's ranks because the front is against their political line and their practices. There is a principled and fundamental disagreement between us and the rulers. They practice the policy of subservience to the United States, they are still practicing the policy of the open door economy, and they are still opening Egypt's doors to foreign banks and to those who plunder the national economy. We disagree with them on all these policies. There may be some aspects which we do not view positively. Well, we do not deny this. But in the case of such limited steps, we are prepared to declare that we support this or that step. However, since the issuance of the economic decrees of January 1985, we have not found even the hint of a single positive step. The backsliding on these decrees has been tantamount to a comprehensive

blacksliding at the level of foreign and internal relations. Even since the raid on Tunisia, the numerous statements made do not reflect an actual reality. Suspending the talks on the Taba issue is not a stance but something that cannot be described. The Israelis occupy Taba and then perpetrate another crime and one is content with suspending negotiations with them on Taba, as if they are crying to negotiate with us on Taba. We cannot say that this is an adequate or even half-adequate stance in response to the Israeli crime committed against Tunisia. From this angle, we believe that the call launched by 'Abd-al-Rahman al-Sharqawi for the founding of a national front that includes the National Party is aimed at shuffling the cards with the aim of giving the impression that there is a crisis and that the call for unification is the solution to this crisis. True, there is a crisis. But there are those who create this crisis and who put the country and the citizen in this crisis. We cannot nor are we required to put our hands in the hands of those who create the crisis and who are determined to continue the crisis.

#### It Is Not Failure on Our Part

/Question/ The Grouping Party does not claim that it represents all the political currents, not even the currents that have a presence in the party. This is what you have said. Don't you consider this a failure on the party's part because it has not been able to combine the representatives of all these factions?

Dr Al-Sa'id: The issue is not one of failure in the acknowledged sense of the word. Even a party claiming to represent a class does not include all the members of this class. If a party claims that it represents the working class, it cannot include in this ranks all the those who belong to this class. However, we do not believe that our party can include all Egyptian Nasirists because there are Nasirist forces which believe that they are entitled to establish a party that reflects a purely Nasirist program. There are also purely Marxist forces which believe that they are entitled to engage in their activities within the ranks of a communist party which reflects a purely Marxist program. Moreover, we are not in competition with these forces. Rather, we probably share with them the desire for an alliance and to defend their right to form their political parties so that they may be turned into a contributor to Egyptian national action. As for the Grouping Party having failed, I do not believe, first, that it is our task to fragment the Nasirist forces that do not wish to join the Grouping Party. Rather, I believe that such a stance would be a faulty one. We encourage these forces to form their independent party, confident that such a party will be a nationalist, progressive, and democratic contributor and will also be an ally of our party.

/Question/ Let us return to the founding philosophy of the national front. You said that this party's objective is to unite all the nationalist forces in the political arena. At the same time, you say that the party embraces the idea of encouraging all the political currents to form their parties. So, what is the motive for establishing this front?

Dr al-Sa'id: The front is aimed at uniting the political parties and currents. I believe that even if there were 70 parties, there would be no need for a



"watchman" to stand guard and prevent the entry of more parties to the arena. The only guards are the "people" who decide whether this or that party deserves to survive or not. I believe that the sole democratic criterion and the sole democratic path is to let the door open for all the forces to have the right to form political parties and to let the masses, who are active and mature, have the freedom to select the parties to which they wish to give their support. I believe that this is the only way. Tens of parties have come into existence throughout Egypt's political history. Some have gone, leaving their imprint behind, and others have gone without being remembered by anybody. There are forces existing in practical reality and disregarding them means no more than burying our heads in the sand. As for the lament that if we open the door, the number of parties will multiply like amoebiae, let the parties multiply as they wish. The real presence will belong to those forces which are capable of influencing the masses effectively and capable of evoking the masses' response.

#### Difficulty of Front-type Action

/Question/ There is an opinion that asserts in advance that this front will fail. This opinion cites the stillbirth of the Committee for the Defense of Democracy as proof of the soundness of its predictions.

Dr al-Sa'id: You have forgotten what happened in the recent past, namely the meeting of the opposition parties in the united act of denouncing the Israeli criminal raid on the PLO headquarters in Tunisia and denouncing the U.S. role in supporting this raid. When we call for a front, we are aware of the difficulties facing front-type action and we are aware that the issue will go through numerous curves. For the chairmen of the five parties to meet on a previous occasion, it took a series of consultations lasting several months. But their recent meeting took place after consultations which lasted no longer than 24 hours. The steps are gradually moving closer to each other. But we do not want the cards to be shuffled. There are many differences between these chairmen. Even if the situation united us through that raid, there is a lot that divides us. However, we call persistently for our unification whenever such unification is possible.

#### We Are Not Prisoners of War

/Question/ How can these independent factions of the opposition be united when each faction has its political tendencies that are different from those of the others?

Dr al-Sa'id: Front-type action is an action founded on the basis of specific meeting points. If we agree on a single unifying point, then we meet, as has happened in the recent past. If such a point exists, then there is no way but to meet. The task of the nationalist and progressive forces is to increase the meeting points and to open their hearts to move closer toward new meeting points. We are wrong if we imagine that front-type action is an endeavor to absorb "prisoners of war politically," i.e., for us to be intimidated into meeting in a front with the government or with any other circle. 'Abd-al-Rahman al-Sharqawi is trying to do so by accusing us of being unpatriotic if

we do not meet with them /government/ in a front. This will not intimidate us because we are not prisoners of war and will not be anybody's prisoners of war. A front is tantamount to an accord.

#### Four Conditions for Accession

/Question/ You said in the course of your statements that you reject the accession of those who represent "Egypt's rulers." Who has given you this right?

Dr al-Sa'id: The Democratic National Party specifically. We consider this party a party that disagrees with us on the four fundamental issues: our position on the United States, our position on Camp David, our position on the economic and social problem, and our position on the issue of democracy.

/Question/ My question is specific: who has the right to reject the accession or to include specific parties in the front?

Dr al-Sa'id: Whoever has the power to include himself. I have the power over my decision to enter or not enter this basket. If the National Party wishes to move closer to a program that denounces the special relationship with the United States, denounces Camp David and its consequences, and denounces the open door policy and the policy that encourages parasitism and that calls for greater democracy, then I would extend my hand to this party over such a program. I would extend my hand to this party over just one point in this program. I am even prepared to extend my hand to it over a half a point in this program. However, the problem is that I do not believe that the National Party is qualified for such a program because it was formed for a different purpose.

/Question/ Should we consider these four points conditions for joining the front?

Dr al-Sa'id: No, they are not conditions but rather my visualization of my alliances. If I find those who wish to ally themselves with me on the basis of these four points, then I am prepared. I am even prepared to enter into an alliance on the basis of one of these points. But I will not enter into an alliance against any of these points.

#### Ibrahim Shukri: We Do Not Reject Front-type Action

Eng Ibrahim Shukri, the Labor Party chairman, said: To start with, I must assume that those advocating this front and talking about it are motivated by good sentiments and by an endeavor to lead Egypt out of some of the difficulties it is experiencing. The advocates of a front believe that these difficulties are too big to be tackled by a single party, regardless of how big it is, and that there has to be some sort of a national framework to visualize the means of overcoming these difficulties and to insure sound development for the Egyptian people in the coming phase. Those advocating formation of the front also believe that a meeting of all the parties concerned may be beneficial. I say "all" because this is the advocates' conception for drafting solutions

and plans to overcome the difficulties currently experienced by Egypt, the most important of which are, in my opinion, the economic aspect and what we may call the flaw in the economic policies and in the economic situation. This is in addition to dealing with the special position of Egypt's relationship with the international blocs, considering that Egypt is a nonaligned state, and to reviewing the policies that have reflected us as a country that is not fully committed to nonaligned policies and thinking and a country whose policies are greatly influenced by the United States. This is caused by the bond of "special relations" between us and the United States. Egyptian-Arab relations must also be re-examined, especially in the wake of the situation emanating from the Camp David accords and now that it has become evident that Israel, despite its repeated claims concerning peace, does not want peace. All these are sound and good tendencies. This is one aspect. On the other hand, the Labor Party does not reject front-type action. But it must ask: Why this front? How do we visualize the form this front will take? I say that the National Party has not demonstrated, at least in the statements made by its officials, any understanding of Egypt's need for a rational solution. On the contrary, the National Party believes that it can do everything--chart and plan--individually and that it can dispense with all others. This is why I am prepared to take part in any front-type action if it has sincere causes, motives, and intentions and if all participate in it. But assuming that the National Party does not wish to participate, then let the other parties participate. This is why I called for a front to defend democratic conditions and the establishment of such a front on sound bases. I called for the formation of this front on the first anniversary of the elections of 27 May because I am confident that the key to rectification lies in correcting democratic conditions. If these conditions are not corrected, I personally see no hope for sound conditions because I believe that there are those who represent various tendencies and opinions among the people and that there must be some sort of dialogue among all of them. If they, meaning the National Party, believe in such a dialogue they would not have behaved in the manner in which they behaved during the previous elections. This is why I believe that the front should be to defend democracy. When the democratic march is corrected, the formation of a front comprising all the parties, including the National Party, can begin because this party will have offered proof that it wants to participate and wants to acknowledge the other parties.

/Question/ This means that you believe that the main tendency of this front should be that of defending democracy? You also noted that it is unlikely that the National Party will join this front.

Shukri: We agree to the participation of any of the National Party's elements. We want correction. However, I believe that the National Party's main leaders have no thought of meeting with the others in such a front. On the other hand, we have no objection to their presence in the front. I say that the front is not a luxury. It is tantamount to a struggle to achieve a certain objective. The proof of this is that when the opposition parties realized that they were in agreement in their stance toward the Israeli raid on Tunis and that they wanted from the government stronger measures than it had taken, they met and a unified statement was issued by all the opposition parties, regardless of their size and tendencies. There were no preparations for that meeting, which

was a spontaneous meeting. All parties had issued independent statements and declarations. This is why we met and why our meeting came about easily. Therefore, it has become certain to us that the opposition parties had the clear and sincere intention of overlooking whatever differences in opinions and policies they have regarding some ideological aspects or regarding the solutions to some problems in order to reaffirm a national goal on which we all agreed. It was a very good sign to see Fu'ad Siraj-al-Din and brother Khalid Muhyi-al-Din, and all the other parties in between, agree. I believe that should there be a development calling for agreement, there will inevitably be a meeting. I believe that what may motivate the parties to meet is this special call for a front to correct the economic and democratic conditions and climate by eliminating the shackles that restrict political action, including the continued existence of the emergency law, of the parties law, and of the other ill-reputed laws.

#### I Put No Conditions

/Question/ Does this mean that you believe that accession to the front will come by way of stances and events that can unite the opposition parties?

Shukri: I put no conditions on who should or should not join. What I am saying is that this front is for this objective. Let whoever wishes to participate in this front, regardless of his position or place, do so.

/Question/ There is an accusation that the opposition parties do not agree on anything. The death of the Committee for the Defense of Democracy less than a month after it was formed is cited as proof of this.

Shukri: This is a somewhat unfair accusation because I cannot separate the circumstances under which we called for this front from the circumstances of the election campaign during which we formed the Committee for the Defense of Democracy. It is well known that an election campaign depends on the kind of tactic embraced by each party to achieve the results it wants. This is why some differences in assessment emerged in connection with the position we had to take vis-a-vis fundamental issues, namely the election law and the emergency law. Some held the idea that we could not wage the elections unless all these obstacles were removed. One cause of the failure to achieve results was the fact that some of those sitting around the table represented parties which had the right to enter the election campaign whereas others represented influential national and pan-Arab personalities who, to their mind, were not tied to any party and who expressed the opinions they embraced in principle. I can say that those personalities "wanted to cling to the ideal." An idealist is not influenced by the existing conditions, is not tied to another group or party, and does not have to refer to such a group or party to express an opinion.

/Question/ Let us return to the national salvation front in light of the experience of the Committee for the Defense of Democracy. Do you believe that only political forces that belong to a specific party must be included in this front so that the failure of the Committee for the Defense of Democracy may not be repeated?



Shukri: I don't believe so. If we examine the issue with some care, we find that the existing parties represent a wide range of opinions, tendencies, and currents. If, for example, there are those who say that the Muslim Brotherhood is not represented clearly in al-Wafd Party and that it wants, therefore, separate representation, then let it be so because the Brotherhood represents an existing and acknowledged current, some of those leaders can be named. Therefore, there is no harm in its participation. I can also define the Nasirist current and define who represents it so that this representation may be with a single voice, regardless of the number of persons.

/Question/ But there are numerous factions other than the Muslim Brotherhood in the religious currents. There are also numerous factions in the Nasirist current. How can it be determined who is to join this front?

Shukri: I believe that this problem is the problem of the factions, not of the parties, and that the factions must determine who is to represent them.

Wahid Ra'fat: How Are We To Form Front?

Dr Wahid Ra'fat, deputy chairman of the New Wafd Party, said: It is not completely clear who will form this front. Will they be the parties only or the unions and the other forces? It seems that the call seeks a broad front that includes all the parties, unions, and national forces. But the difficult thing is how to implement this idea. We may disagree on defining these national forces. Some may believe that this front should be confined to the existing parties because others have tried this broad front which does not seem to have achieved noticeable success. I mean here the front formed in Sudan prior to the April 1985 events to get rid of Numayri's regime. This front was not confined to the parties but included the various Sudanese political forces and currents. What we hear now is that there are strong disagreements between the parties and the unions. The unionist tendency might be more developed and more enthusiastic than the system of political parties. Moreover, the parties are not in full agreement in their political tendencies. There is also the question of what these national forces are which they want to include in the front. I do not know how many religious groups there are in addition to the Muslim Brotherhood. These groups include radicals as well as those who do not approve of or believe in the democratic system. They also include those who bear a hatred for society and demand change (the Atonement and Emigration Group). I do not believe that these radical groups, be they religious or nonreligious, have a place in the front and they do not form an encouraging element in this regard. Moreover, one encounters this problem even insofar as the Nasirist current is concerned. The Nasirists themselves are splintered. Besides, what is meant by the Nasirist system itself, keeping in mind that the purpose of this front is not to represent persons but principles? If what is meant by 'Abd-al-Nasir's principles is that they are the principles of the revolution itself, then there are parties that represent these principles in the best manner possible, be they parties in the Grouping, the Labor Party, or even the National Party which claims to be the sole legitimate heir of the 23 July revolution. This is where we are certain that it is necessary that the front be confined to the recognized political parties without including the unions or the national forces because the unions have a different tendency and because

they are actually represented in the existing parties. The National Party includes the chairman of the Federation of Egyptian Labor Unions and there is no doubt that the Labor and Grouping parties include prominent members of the labor movement. Moreover, I do not believe that the labor unions have a national current independent of the current represented by the parties. Besides, if we confine membership in the front to the political parties, we will be in full accord with the constitution which stipulates in Art 5 for the first time in history that the political system of the Arab Republic of Egypt is founded on the multiplicity of parties, since the parties are constitutional political institutions representing the regime and that confining representation in the front to these parties is a practical reality. Any other form for this front will cause the front to assume a jellylike structure. The front must be for the political parties because it represents the system of government. It must be for the parties so that it may give the other forces, such as the religious current, the opportunity to form parties. It must allow the moderate religious current time to gain the right to engage in its activity through a political party. Consequently, all the nationalist forces will have assumed a definite political form embodied in parties. Yet, the front will be formed on the periphery of the constitutional institutions and will have no direct and effective impact on these institutions. As to the statement that this front's recommendations should be binding on the government, this statement represents a violation of the constitution. It is unreasonable to ask the constitutional institutions to submit to and implement the opinions of an organization that stands on the periphery of these institutions. Should such a thing happen, it would be tantamount to a deviation from the constitutional principles acknowledged in any state. It is absolutely impermissible for organizations beyond the constitutional institutions to dictate their will to these institutions. Therefore, this front will only have the power to debate and discuss the national issues and to submit its proposals to the state administration and to its constitutional institutions. This means adding another advisory body to the numerous advisory bodies already in existence.

#### Representation of Parties in Cabinet

/Question/ If, in your opinion, this is the form the front will assume, then how can we overcome the crisis, in case there is actually a crisis?

Ra'fat: It is my opinion that the correct solution does not lie in forming such an advisory national front but in representing all the parties in the government or, in other words, in the cabinet. For example, there is the Higher Policies Committee, which is a minicabinet that charts the state's higher policies. This committee is made up of members of the current cabinet, meaning that it represents a single party, namely the National Party which has the parliamentary majority. As long as there is a general feeling of the need to establish a national front to tackle the problems facing us (economic problems pertaining to all the collapsing utilities, to housing, to the public sector, and to taxes and political problems pertaining to Camp David, to the peace treaty with Israel, to Egypt's relations with the Arab countries, and to its relations with the United States and the Soviet Union--all of which are examples of fateful issues that must be solved objectively and in freedom from all acts of oneupsmanship and which call for forming a national front to chart

the state's general policy and to try to solve its problems fundamentally and not by palliatives, as is happening now, and to solve them in a proper climate free from the partisan acts of oneupsmanship which are now obstructing the solution to these problems--as long as this is the situation, then the practical and natural solution lies in having each of the listed parties represented in the Higher Policies Committee by an active "minister." This should be done so that he may be his party's ambassador in the government apparatus and vice versa, meaning that this minister will not take part in discussing any issue in the committee until he has discussed it with his party leaders so that he may assert his party's full authority in the Policies Committee. This committee will thus have the various viewpoints. An important point is that action within this committee is not supposed to be carried out by voting but by dialogue and understanding. Thus, the minority parties will not find themselves defeated by the majority party in the committee because there is no victor and no vanquished but a search for what is in the public interest through dialogue--a dialogue which will constitute the predominant feature. The "government" will thus have responsible persons from each party to explain their party's viewpoint to the government, to listen to the majority party's viewpoints, to hold a dialogue, and to reach the ideal solution for each problem objectively and without being influenced by the purely partisan aspect. This is a thousand times better than forming a front created on the periphery of the authorities and incapable of making recommendations that are binding on the government. On the contrary, such a front's recommendations will be disregarded.

#### Coalition Cabinet

/Question/ We understand that what is meant by this is the formation of a coalition cabinet that includes representatives of all the parties.

Ra'fat: Some may say that what is needed is a coalition cabinet or a salvation cabinet. This is not important. What is important is actual participation by the other parties. In other words, what is important is the transformation of the current Higher Policies Committee into a national committee representing all of the country's partisan forces. This requires the ruling party to cede its right to form the cabinet individually. The national interest surpasses all other interests and I do not think that the minority parties aspire for power, which is a big responsibility, especially since these parties have been far from power for many years. Therefore, I assert that we are not talking about personal or partisan ambitions but about sacrifices. It is the duty of all the parties to forget their partisan interests temporarily, to put aside the partisan struggle, and to consider the national interest only by cooperating with the majority party to achieve the ideal solutions for all our problems, since it has been impossible to achieve these solutions because of the internecine fighting, the acts of oneupsmanship, and the partisan provocations. I believe that the National Party cabinet will not be able to make any decision independently and without the participation of the other parties which may take the opportunity to mine the ground under the feet of the ruling party and may incite feelings against it if it makes an independent decision concerning the people's future.

## Muhammad 'Abd-al-Shafi: No Future For Parties

Muhammad 'Abd-al-Shafi, deputy chairman of the Liberal Party, said regarding the future of political action in Egypt that if this action continues at its present tempo then the political parties will have no future and that we will find ourselves following the current of the Socialist Union anew someday. The parties existing in the arena live under the canopy of the present shackles of the political stagnation that is growing in one form or another and under the canopy of the disinclination of the citizens to engage in political action because of numerous other problems that overwhelm Egyptian political activity, even though this is tied to that. However, I do not agree that this experiment--the salvation front--should emanate from two major parties in Egypt who can exchange power. To have seven parties, with one party ruling and with the others constantly bound by the shackles imposed on the opposition, is not what is wanted. The people have gotten "fed up" with political action at a time when the Egyptian political parties are weakening because the citizen sees no hope that these parties will attain power. The existing practices will not lead to the emergence of a party that can exchange power with a government party. However, there is the problem of who is to merge with whom and who will agree to be chairman of this front in which the parties will be fused. Which are the parties that will agree to be fused in a front?

I stress in advance that the Wafd Party will split the ranks and will reject this front even though it has alluded at this phase to its approval of the front in principle. It will try to embark on certain political actions independently, considering that it is a big party, that it is deeprooted, and that its future /path/ is covered with roses.

I can stress that this has been the Wafd Party's policy all its life, since it has always felt that it is the big party. I believe that the circumstances are different now and that with its concept, the Wafd Party will have a negative impact on the democratic experience, as happened in the latest People's Assembly elections when we all decided not to wage the elections and were then surprised to see the parties entering and approving of the elections "one party after the other" even though the outcome of those elections had been known to us in advance. What happened precisely is that all the parties failed and al-Wafd Party got several seats as a consolation. Thus, the system of the overwhelming majority and the weak minority will persist, the majority will grow steadily, and the democratic experience will fail unless we find a new formula by which to engage in political activity in Egypt.

/Question/ In your opinion, isn't it more beneficial to bolster partisan activity, since the parties are constitutional institutions, than to form a front that may be on the periphery of political life because of the different tendencies within such a front?

'Abd-al-Shafi: The future dictates one of two things to us: either the parties act to strengthen themselves intrinsically and begin to deepen their roots and their presence in the Egyptian political street or they must resort to a front. But after long years of trial, the leaderships of the existing parties have not succeeded in this. So, the fault lies either in these leaderships, which



must be changed, or in the general climate imposed on the Egyptian people--a climate which makes the people view their parties in a way different from the way people abroad view parties. The parties here are prevented from using the information media--radio and television. After 30 years of a totalitarian system, the parties have not been able to convince the man-in-the-street of a safe future if he joins them. The "authority's parties" are still the parties which the citizen feels safe to join. I believe that the front will not lead to the desired results and that its harm may be greater than its benefit. With the end and disappearance of the goal, it is possible that we will not find ourselves to be as we were before joining the front.

/Question/ Does this mean that you do not approve of the formation of such a front?

'Abd-al-Shafi: I will approve it when I know what its objectives are. We will say: A front against the ruling party's practices. No objection. We have already had an experiment that failed, namely the experiment of the Committee for the Defense of Democracy which was joined by all the political currents, including the existing parties and the nonexistent parties. If the current leaders failed even to preserve a "committee," then how will they succeed in forming a front?

/Question/ Then do you predict failure for this front before it is born?

'Abd-al-Shafi: The existing parties and the leaders of these parties in this phase, including myself, have not succeeded in adequately persuading the political street of their presence. In the wake of the latest elections, they failed to carry on with popular action and capitulated to the government decrees. Moreover, these parties have failed to impose many of their demands on the government. Rather, they have fully capitulated to the government's practices. If we have not succeeded in these simple demands so far, then how "will they succeed" when they gather in a front? The front will include weak parties which will produce a weak front. But when a number of strong parties join this front, then it will be a strong front. I stress that the elements of this front will not be able to endure the government's response to this front in the future.

#### Lack of Model in Opposition Parties

/Question/ If we want to diagnose the faults of the opposition parties, then what would we say about these faults and about the way to tackle them?

'Abd-al-Shafi: The first fault is the lack of a model among the opposition parties. The parties constantly demand that the government engage in sound democratic application while they fail to practice such democracy internally. It is definite that the application of democracy in the party makes the members feel that they belong to this party and makes them sacrifice for the sake of the sublime principles they practice through the party. But the reality confirms that many of the Egyptian opposition parties do not practice democracy internally. Moreover, some of these parties' chairmen have not yet resigned even though they are supposed to do so when their parties are afflicted "with

setbacks for which these chairmen are the cause." What is more, these leaders resist change within the parties. The parties have become weak and the citizens have begun to abandon them because of the dictatorship within the parties.

/Question/ If we return to the idea of the national salvation front whose formation has been advocated by Khalid Muhyi-al-Din....

'Abd-al-Shafi: I say that the Grouping Party was the first to destroy the Committee for the Defense of Democracy. Had this committee been destined to survive, it would have been turned in the future into a major party countering the government party. But regrettably, "brother Khalid Muhyi-al-Din" was the first to break up this committee. This is a tangible experience before our eyes. If it is necessary to form a front, then the parties should hold their congresses and present the idea of the formation of the front to these congresses. Thus, there will be an actual popular response to this "front" and the front will not be hostage to the opinion of the party chairman, with such a front ultimately being turned into a single party in which all the opposition parties are fused. But I do not expect the gentlemen currently chairing the parties to give up their positions easily and to leave their comfortable seats.

/Question/ How can this front, which includes various parties with conflicting political tendencies, be turned into a single party?

'Abd-al-Shafi: What happens all the time is that any parties merging in a single front will develop a large number of new ideas for this front because not even a communist and a member of the religious groups disagree on Egypt's democratic problems. There is minimum agreement between these parties and it is possible for them, just to entrench the mainstays of a sound democracy, to merge in such an accomplishment. Then new parties may rise in the future when the political climate becomes suitable for the rise of such parties. The current political climate does not produce strong parties because there is no good will and because the parties were created for a specific phase and not for future action. If this front leads to the creation of a climate for the practice of sound democracy, then this will be a great gain.

/Question/ Do you think that the current given political facts permit the presence of a front, or do you believe that it is better for each party to perform its role independently?

'Abd-al-Shafi: The current political practices will not permit any front to survive. Should such a front come into existence, it will die. The political situation and the government's domination in Egypt will not give the front the opportunity to be born. However, before this front is created, the parties will have the opportunity to strengthen themselves and to mobilize the largest number of sincere citizens among the masses to join them so that they may put popular pressure on the government. Without such popular pressure, the government will not cede a single grain of the powers given it.

Mamduh Qinawi: We Support Dialogue but on Condition

Mamduh Qinawi, rapporteur of the Socialist Labor Party's Parliamentary Committee, believes that there is no objection to participation by all the political parties and forces in this front which will generate a national dialogue, provided that this dialogue, in which all the political parties are to participate, is coupled with equality and mutual recognition by all those who gather to hold it, regardless of whether they are a majority or a minority. If the National Party takes part in this dialogue, we do not want it, even though it is the majority, to rush to confiscate the opinions and viewpoints of the other parties included in the dialogue. This dialogue must be a national dialogue in every sense of the word so that we may be able to listen to each other as equals mutually recognizing each other. There must be no denial of the truth and we must not say "things couldn't be better than they are." There are problems experienced by the citizens and we are aware of them. If we attain the unified "prescription" to tackle Egypt's problems, then we must have this "prescription" dispensed immediately and no internal or external forces should be allowed to obstruct its dispensation. This is because there are those at home who may have interests tied to some foreign interests that obstruct the dispensation of this prescription.

Therefore, I say that all the problems have been diagnosed and that their cure has become well known--a cure that requires amending the policies. But for a certain reason, this "prescription" has not been dispensed yet. We want this prescription to be dispensed. By having all the parties concerned share the responsibility, these solutions can be implemented. The presidential institution has a major role in gathering the "nationalist forces." In the absence of real institutions, the presidential institution has a major role in this regard. We urge the president to adopt the national solution. It is not necessary that this solution take the form of a coalition cabinet so that it may not be said that we aspire for power. Egypt's problem dissuades any citizen from viewing power as a personal aspiration. We presented this idea in a statement issued by the Labor Party on the occasion of our celebration of the first anniversary of the People's Assembly elections. We noted that the elections had been an opportune chance to develop the national solution but that chance was missed and the conditions and circumstances cannot wait 5 more years to achieve real stability. Therefore, we must do something as of the moment with this national solution and with the front formula to overcome the crisis. This confirms that we are for, not against, the dialogue, provided that it meets the conditions of a dialogue, namely equality and mutual recognition.

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EGYPT

## SKYGUARD MISSILE TRIALS DESCRIBED

Cairo AL-AHRAM in Arabic 9 Oct 85 p 3

[Article by Ahmad Fu'ad and 'Asim al-Qirsh: "Egyptian Military Introduce into Skyguard 16 Modifications Compatible with Egypt's Strategy; Target Shooting Has Proven Our Forces' Ability To Absorb Modern Technology and Use It To Serve Objectives"]

[Text] President Husni Mubarak attended yesterday the practical tactical demonstration conducted by the air defense forces. The demonstration proved the success of the trial on the Skyguard missile system into which the Egyptian military have introduced 16 modifications compatible with our strategy. The system has been called the Egyptian Amun. Antiaircraft artillery, Hawkeye ['Ayn al-Saqr] antiaircraft missiles, which have been in production in the Saqr factory for some time now, 23-mm antiaircraft artillery, 122-mm and 130-mm field guns, the Crotale missile system, Hawk missiles, and radar-controlled aircraft took part in the target shooting which was conducted in six stages.

The target shooting has proven the degree of our armed forces' ability to absorb modern technology and subjugate it to serving our objectives and has demonstrated in the exercise the capability of the Egyptian soldier. It has also proven the capability of weapons which have been produced by Egyptian hands and whose effectiveness was demonstrated during the various stages of the exercise, such as the shoulder-carried Hawkeye missile and the 23-mm anti-aircraft gun.

We are witnessing today the combat practice shooting of the first battalions of this system--shooting which has proven the ability of our men to absorb modern weapons and to use them with high efficiency. Our pride in the role of our air defense in 1973 does not mean that we are blinded by conceit or delusion. It is from this starting point that our armed forces are modernizing and developing in all spheres of armament, training, and the arts of war so as to enhance their capability and keep pace with development.

The tactical shooting was conducted in the shooting range, which is 100 km long and which includes antiaircraft artillery, surface-to-air and surface-to-surface missiles, dual 23-mm guns, shoulder-carried surface-to-air Hawkeye missiles, the Amun surface-to-air defense system, and Crotale missiles.



The target shooting was divided into six stages: the first involving the Amun system with its surface-to-air missiles, the second involving Hawkeye surface-to-air missiles, the third involving shooting by dual 23-mm antiaircraft guns, the fourth involving shooting by field guns and artillery, the fifth involving surface-to-air shooting by the Crotale system, and the sixth involving a second round of shooting by the antiaircraft missiles and guns of the Amun system.

The Amun system includes short-range artillery and missiles. The air defense forces began the shooting trial as of the third week of last month. This system has been developed by Egyptians and our military scientists have introduced 16 modifications into it, in addition to secondary modifications. This system is characterized by its quick reaction and its ability to confront three targets simultaneously. It has a detection and observation unit that employs electronic computers to detect aircraft flying at very low altitudes. This unit outlines three targets that can be hit. The system's missile-launching units pursue the target automatically until they hit it. Each unit carries four Sparrow missiles.

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EGYPT

## MEANS TO COMBAT TAX EVASION DISCUSSED

Cairo AL-AHRAM in Arabic 6 Oct 85 p 9

[Article by Amal 'Allam: "Tax Evasion and Expanded Customs Exemptions Are Rejected and Must Be Eliminated; Stabilizing Laws and Reducing Taxes in Order That Sovereignty Revenues May Regain Their Normal Volume"]

[Text] If the state builds economic and social development plans to insure the highest degree of prosperity for the people, then to achieve this end it needs to gather all the resources available and to mobilize them to serve these plans and make them successful. Though the financing necessary for these plans depends primarily on the Suez Canal and oil revenues, on loans, and on the remittances of the Egyptians abroad and the savings of Egyptians at home, this financing also relies on the contribution of the capable in the form of various taxes. When some people refrain from making this contribution in one form or another, then this is tantamount to evading participation in our development and is called tax evasion. The money withheld in this manner is considered money escaping the state treasury. How do we bring back this money to those who deserve them and how do we tackle the financial and economic problem?

Dr Samir Tubar, chairman of the National Party's Economic Committee, said that tax evasion takes numerous forms, including tax avoidance which is done by exploiting the loopholes in the law. Such evasion is done legally. Another form of evasion results from the taxpayers' ignorance of the laws because of the multiplicity of the laws and their alteration from time to time. Another type of tax evader is one who plans to avoid taxes and who does not submit tax statements to the authorities concerned.

Ahmad al-Shimi, tax expert and under secretary of the Ministry of Planning and International Cooperation, said: There are obvious examples of tax evasion in commercial and industrial profits. Such cases include those who rent furnished apartments and then report lower rents to the Tax Agency; those who sell real estate, including land, buildings, or housing units and then report lower values for their sales; car dealers who report prices in accordance with sham contracts; and those who sell businesses and then report the value of their sales to the Tax Agency in accordance with false contracts.

As for indirect taxes, the taxpayer may conceal a quantity of imported or locally produced goods that are subject to production or customs fees or he may declare a lower value for his commodity than the real value.

Ahmad al-Shimi added: If we examine the causes of tax evasion, we will find that they lay basically in the absence or weakness of tax awareness and of the feeling of public responsibility and in the failure to understand the nature of the individual's relationship with the state. If we set aside this general cause, we find that the objective causes are found in the following:

1. Such excessive bias in some tax laws in favor of the public treasury that these laws fail to explain the truth regarding the tax law provisions. This is due basically to ambiguity and to the legislator's poor phrasing of the tax regulations.

2. The lack of experience and expertise and the failure of the tax officials, especially the beginners, to understand the regulations and instructions of the tax laws and the pamphlets published by the Tax Agency. This helps the taxpayer to evade taxes and to escape the tax laws because of a failure to understand the laws and regulations.

3. The excess is procedural tax statements that strain the taxpayer and make him shun his tax obligations.

4. The rapid succession of tax legislation that does not give the taxpayer the chance to settle his tax affairs.

5. The inability of the Tax Agency's manpower to check, examine, and approve the tax statements immediately. The tax evasion problem is due fundamentally to the failure of the tax survey process to cover all taxpayers. The Tax Agency conducted an on-the-spot survey in October 1952 when the agency's technical force was weak and incapable of conducting the survey in the best manner possible. Finally, the Tax Agency conducted a comprehensive on-the-spot survey in October 1979. This survey process is very difficult and its results do not fully guarantee that it is comprehensive and that it prevents all taxpayers from escaping the tax network. This is due to the vast geographic area and to the inability of the agency's manpower to survey both old and new taxpayers. The problem of the on-the-spot survey has become more difficult and complex under the canopy of the existing specialized division of the jurisdiction of the tax commissions. In this case, the survey has been conducted on the basis of the same economic activity within the broad geographic framework and not on the basis of all the economic activities within a limited geographic framework.

Ahmad al-Shimi, tax expert and under secretary of the Ministry of Planning, believes that there are several proposals to make the survey process precise and to insure that it comprehensively confronts tax evasion and tax evaders. These proposals are:

-- Refrain from licensing any merchant, craftsman, or professional from engaging in his activity unless he obtains from the concerned commission documents proving that he is included in its survey, that a file has been opened under his name, and that he has been issued a tax card.

-- Refrain from issuing, renewing, or amending a family or personal identity card until the tax card is checked and its number is recorded in the family or personal identity card if the applicant is a merchant, a craftsman, or a professional.

-- Stipulate in the legislation a deterrent penalty for failure to report to the survey by making the failure to legislate a crime, considering that this failure is the first and most serious step against tax evasion.

-- Make it easier for the tax officials to examine the trade register and the records of the chambers of commerce and of the General Federation of Industrial and Professional Unions which issue permits for engaging in the various economic activities and professions.

-- Use microfilm to photograph public documents and papers so as to protect them from loss, theft, or fire and to conduct investigations on taxpayers to protect the public dues they owe the treasury.

-- Dispense with the system of the specialized distribution of the jurisdiction of the tax commissions and restore the geographic distribution system, provided that each commission is required to conduct specialized examinations within its limited geographic jurisdiction.

-- Expand, wherever possible, application of the system of impoundment at the source in collecting taxes for the various economic activities.

Dr Samir Tubar, head of the National Party's Economic Committee, said that the committee has discussed this issue and has defined the solution to the tax evasion problem in the following six points:

The tax system and the existing legislation, the Tax Agency, the exemptions, the tax base, the tax rates, and the complementary measures that help enhance the efficiency of tax collection.

Regarding the tax system, Dr Tubar said that it is necessary to apply the unified tax instead of the current system. To apply this tax, a period of no more than 5 years is needed and a timetable must be drawn up for implementation. Moreover, a number of necessary steps must be taken to create the right climate for receiving this legislation and insuring its success. Insofar as the legislation itself is concerned, there has to be stability, meaning that we should introduce amendments only within the narrowest limits and only in urgent cases so that we may insure stabilization of the legal conditions, especially in connection with the tax rates and exemptions. We must also eliminate the contradiction in the provisions of the various laws concerning penalties so that the penalty may be compatible with the degree and seriousness of the tax evasion. It is unreasonable to punish somebody making a mistake in his tax statement with imprisonment and a fine while punishing a tax evader with a fine only.

As for the Tax Agency, it needs to be developed and the productivity of the Tax Agency personnel must be enhanced in terms of both knowledge and work.



We must make it conditional that tax officials pass an examination after attending training courses conducted by prominent state officials.

We must select the outstanding tax officials from the various levels and send them abroad in groups for training in foreign tax agencies so that they may familiarize themselves with tax review, examination, and accounting methods. We must also conduct a regular course on paperwork within a complete system to study and simplify the tax procedures, including the tax statement and the other required documents from the time of delivering the statement until approval and collection.

Regarding the exemptions, Dr Samir Tubar said that the exemptions included in the various laws, both those issued for social reasons and those issued for economic reasons, must be reexamined and curtailed to a minimum. For example, it is unreasonable for the customs exemptions to amount to 40 percent of the customs revenues. These exemptions absorb such a large part of the revenues that the exemptions have become the rule. It is also necessary to stipulate the exemptions in the tax laws only, not in any other laws.

The principle of the universality of taxes must also be observed, with nobody earning an income exempted from the tax except by law and within the narrowest limits.

Insofar as the tax base is concerned, it is necessary, in order to try to apply the principle of universality, to conduct periodically an on-the-spot field survey on sound scientific bases and to reexamine the survey means in the current tax base. It is also necessary to make taxable the activities not covered by the commercial and industrial profits tax, such as the agricultural exploitation tax, the currency exchange activity, and housing downpayments by both landlord and tenant.

As for the tax rate, it must be compatible with the taxpayers' capability so that the taxpayer may retain after payment of the tax a return compatible with the nature of his work and with the effort he exerts in order that he may not be discouraged and that the tax may not consume the major part of his income. In setting the tax rates, a balance must be established between the revenue requirements and the economic and social objectives. We must also take into consideration the role of a tax as an instrument of financial policy and an instrument to encourage investment. The total tax collected from taxpayers must not exceed 50 percent of their income so that high taxes may not encourage taxpayers to evade them.

Finally, insofar as the complementary tax statements are concerned, the National Party's Economic Committee chairman demanded speeding up application of the general national number system because of the control it achieves over the tax procedures, with the help of the modern data system. He also demanded reexamining the tax card system and tackling the weak points this system has displayed in application.

If these six points are fulfilled, we can eliminate tax evasion and return escaping money to the state treasury so that it may perform its role in the economic and social development plans.

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## EGYPT

## WORLD BANK LENDING CONDITIONS REVIEWED, EVALUATED

Cairo AL-AHRAM AL-IQTISADI in Arabic 4 Nov 85 pp 36, 37

[Article by Dr 'Ali Sulayman: "Egypt and the World Bank: The Conditions for Aid!"]

[Text] One of the important subjects disturbing the relationship between the borrowing countries and the two Bretton Woods agreement organizations, that is, the World Bank and the International Monetary Fund, is that of the conditions governing loans. The conditions bearing on reforming the course of the economy in the lending countries, changing price and wage or monetary policies and reducing budget deficits which the International Monetary Fund insists on are well known. These can eliminate many social reform programs or reduce the commodity subsidy budget from which the majority of poor people benefit.

Incidents of condemnation resulting from the austerity programs the International Monetary Fund has adopted have recurred to the point where they have given its intervention in setting the economic course of the borrowing countries a bad reputation.

The World Bank has avoided this stigma by asserting that the basic criterion for lending is the economic and social yield from the projects the borrowing country adopts. In another area, the World Bank normally insists, as we stated in the preceding article, on policies which are directed basically toward serving the basic needs of the society in terms of potable water, electricity and health projects and it embraces policies in pricing these services which take stock of the beneficiaries' ability to pay.

In this article we will discuss an important issue which is often raised regarding the relationship between the countries and the World Bank, that is, the conditions the bank adheres to in project loans. We will review some examples of that from the Egyptian negotiators' experience with the bank.

#### The First Condition: The Country's Political and Economic Orientation

To be fair, we should stipulate that lending policy in the World Bank is an extension of the foreign policy of the major Western countries taking part

in it. The 10 major industrial countries control more than 50 percent of the voting power in the bank.

In the preceding article we showed how the most important characteristic of the World Bank's relationship to Egypt is the connection between World Bank aid and the general course of the Egyptian economy. Although Egypt was one of the bank's founding countries, it received loans totalling only \$36.5 million from it in the first 25 years of its history, up to the beginning of the seventies, while the total that Egypt has obtained since 1970 has come to \$2,450,500,000 in loans in addition to \$981.2 million in aid (on easy terms) from the World Bank's International Aid Authority subsidiary. Therefore, Egyptian economic liberalization and Egypt's connection to the Western economic program has also been reflected on Egypt's relationship to the World Bank. The bank is now not only one of the most important lenders to Egypt, it also plays the role of a conductor coordinating the Western countries' aid programs to Egypt. Therefore, the bank established the secretariat of the Club of Paris, which arranged Egypt's financing needs in the late seventies.

#### The Second Condition: The Borrowing Country's Economic and Social Policy

The World Bank's aid programs have been distinguished by the pursuit and encouragement of an enlightened economic policy in the borrowing countries, and the bank has encouraged programs of agrarian reform, tax reform and equity in the pricing of basic services. The World Bank stresses the importance of the presence of an integrated, upright economic and social program in the borrowing countries.

The World Bank's numerous missions have participated in preparing Egypt's current economic and social plan.

#### The Third Condition: The Country's Ability To Pay

The World Bank offers loans to various projects on the guarantee of the borrowing country. The World Bank desisted from lending to a number of Latin American countries when they let their borrowing standard slip and became unable to pay off their debts.

#### The Fourth Condition: The Economics of the Project

One of the basic criteria for lending to projects is the projects' contribution to increasing the national income of the borrowing economy. There are great compendiums on ways of calculating the economic and social yield of projects, whose details there is no need to get into here.

We will herewith review a number of general important issues the World Bank has raised while discussing its financing of a large number of Egyptian projects; we will present these as a statement on the bank's economic philosophy and the way this has affected Egyptian economic policy in the past 15 years.

## The Economic Prices of the Factors of Production, Specifically Energy Prices

The policy of economic liberalization in Egypt has been reflected in the grant of greater power to market forces in determining the distribution of economic resources, in place of the administrative intervention and compulsory pricing which served the indices of central planning and the government's priorities in the past.

The World Bank encouraged this approach, specifically as regards the prices of fruit, vegetables, textiles and other commodities whose processing it sought to encourage. It also realized great success in this and, because of the international energy crisis, the World Bank was active in defending the use of world energy prices in pricing electricity and petroleum products. The government resisted these pressures for a long time. In my opinion, the subsidies to which the Egyptian consumer is accustomed in this area are not compatible with the financial distress the country is suffering from. In addition, local petroleum reserves are not sufficient to finance the dreams of rapid welfare which the policy of the seventies hastened to realize.

The World Bank adopted two methods in realizing its goal in the economic pricing of the factors of production and the commodities its projects finance. The first approach is through a general discussion of economic pricing and a linkup between the government's response to the realization of this and the possibility of making the loan itself; therefore, for example, loans to the industry sector in general are normally linked to a discussion of the government's priorities in this sector and the need for example for the government to modify the price structure of the interest rate in this sector or to have lending to textile mills linked to the requirement that the government give the final prices of the product free rein.

The second method, which is parallel to the first, concerns the principle of the project's ability to pay its commitments or recoup its costs. The realization of this is contingent on the sound evaluation of all the inputs and outputs in the project. On many occasions that means that the evaluation is on the basis of the market price.

Let us take as an example of that the dialogue which normally occurs when the World Bank lends to electricity projects. In that case, the bank strives to have the project realize a moderate financial yield, 9 percent for example. This is achieved for example by increasing the price of energy produced to the final consumer. The bank has fought alongside the Egyptian Electricity Authority in the effort to eliminate the non-economic pricing of electricity (which once again has stirred up a controversy regarding the electricity the Kima Company and the Egyptian Aluminum Company in Naj' Hammadi consume), as well as the need to maintain a healthy difference between the price of electricity provided to industrial and productive installations and the price of electricity used in homes and, in the pricing of the latter, to be attentive to having the per-unit price rise whenever consumption increases, to keep the benefit distributed among the greatest number of consumers and encourage guidance on the other hand. Nonetheless, obvious success has been achieved in this area only lately.



In order for the computation of the project's financial and economic yield to be realistic, the assets of the project or investment offered to it must be on realistic bases.

This discussion is not immune from arguments on ways of re-evaluating assets, specifically because of the reflection of this technical discussion on the government's social and economic policy. It might be in the capability of the Electricity Authority or the Telephone Authority to achieve a suitable economic yield on the historic value of assets, whereas if the value of the assets is adjusted by taking inflation into account, it will be necessary to double the prices of its services.

If we want to re-evaluate assets, what rates of inflation are the most appropriate? Should we adopt the price indices of capital goods or consumer goods, and if we adopt the former criterion, will these prices be the domestic ones or the foreign ones? In another area, accounting re-evaluation does not take the economic competence of old and new assets into account, because some equipment, for example telephone communications equipment, has developed amazingly in recent years and consequently equipment which serves dozens of lines can now serve thousands. As a result of this great rate of obsolescence of assets, the real economic price of the old equipment drops to zero, regardless of the book value or the rates of inflation following its installation.

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## EGYPT

## CURRENT STATUS, PERFORMANCE OF BANKS REVIEWED

Cairo AL-AHRAM AL-IQTISADI in Arabic 7 Oct 85 pp 60-62

[Article by Sayyid Abu al-Layl: "The Banks and Economic Stability in Egypt"]

[Text] Banks in Egypt play an important role in affirming and sustaining economic stability by supporting economic development. The 5-year economic and social development plan, 1982-3 through 1986-7, has had the goal of remedying the problems the Egyptian economy is suffering from in accordance with many fundamental points of concentration, the most important of which is support for the productive structures' ability to increase commodity production, the attainment of greater self-reliance and reduction of the degree of dependence on the outer world, by increasing production and exports, reducing imports and reducing the trade deficit, as well as supporting the material and social economic structure by developing the social and productive service sectors.

Banks in Egypt operate within a monetary and credit policy which parallels a plan whose objective is to control rates of inflation and reorient local credit to the situation which is compatible with the demands of development, while preserving the continuity of real economic activity and supporting the real value of the Egyptian pound.

## A New Role for Liberalization Era Banks

The banks' role in asserting economic stability is founded on a number of basic points of emphasis, most important of which are:

Assertion of the role of Central Bank surveillance of all banks operating in Egypt without confusing the role the Central Bank must play in supervision, surveillance and guidance operations with the management process in the banks, which must be provided with protection and freedom and non-intervention in the context of ongoing activity between the banks and the Central Bank via the Federation of Banks. Some people consider that the recent Central Bank law entails a tendency toward control and intervention in the context of local and international economic circumstances which call for the liberation and independence of the banking system and its lack of subordination to any executive body. These voices state that it is necessary to review this law.

Recent credit issues are considered to be of great importance because of their direct effect on both the banking and the economic climate. With the economic transformation, and as a result of the policy of economic liberalization, the magnitude of the banking system has increased and some banking units have been established which do not function within the context of a sound economic or banking philosophy and have concentrated their goals on profitability without looking at the numerous risks arising from that. In addition, some banks have not committed themselves to objective scientific standards for granting credit, or locally and internationally recognized banking criteria, and have also not been close to the development and trends of economic conditions. To that, one should add that some of these banks have adopted a credit program which is founded on personal considerations. However, these conditions have assumed the character of exceptions, not a general situation, since the overwhelming majority of the banks operating in Egypt have pursued scientific banking methods in directing credit in the context of national economic philosophy. Moreover, with the assertion of the role of Central Bank surveillance over the banks operating in Egypt there no longer is a place for such individual phenomena in the banking system.

There is a need to resolve the negative aspects which have recently come to prominence through the experience of the banks established in the context of Law 43 for 1974 bearing on the investment of Arab and foreign capital, since it is no longer acceptable that these banks in Egypt should rely on the local market as a basic source of their deposits, attract the deposits of Egyptians abroad, retain a large part of these deposits with their correspondents abroad and contribute an extremely minor portion of their resources to the financing of commodity sectors in Egypt, since the ratio of loans granted by investment and activity banks to the industrial sector came to about 11 percent of total loans and those to the agricultural sector to 2.9 percent of total loans in 1983-84. In addition, the loan and discount reserves of investment and business banks came to about 14 million pounds in the case of the sector of agriculture, or 1.3 percent, and 176 million pounds in the case of the sector of industry, or 9.7 percent of total loan reserves, which came to 1,872,000,000 pounds, on 30 June 1983. In addition, the reserves of loans and discounts granted by joint private commercial banks came to about 50 million pounds in the case of the agriculture sector and about 600 million pounds in the case of the sector of industry, out of a total of 2,623,000,000 pounds in loans.

There should be emphasis on the importance of increasing the banks' role in stimulating investment, expanding the performance of investment projects, realizing stability for them and supporting the banks' role in stimulating investment in Egypt arising from participation and financing. In light of the encouragement of participation in the establishment of projects, the banks' direct participation in projects increased from 135 million pounds in 1980 to about 400 million in 1983-84. The public sector banks' share of participation in these projects comes to about 75 percent; the contributions of the Bank of Egypt alone account for about 30 percent of the total contributions of all commercial banks, in the sense that the Bank of Egypt bears the main burden of the banks' contribution to development. On the other hand, the total contributions by banks to projects, which are nearly 400 million pounds, are not commensurate with the aspirations of the plan, since

the plan estimates an annual volume of investments of 7 billion pounds on the average. The structure of distribution of bank contributions to projects also reflects the orientation of the bulk of these contributions toward financial and banking projects (about 150 million pounds), followed by industrial projects (about 100 million pounds), then housing projects (about 50 million pounds), self-sufficiency in food projects (40 million pounds), contributions to tourist projects (30 million pounds) and other projects (35 million pounds).

#### Are the Depositors Becoming Investors?

Thus we appreciate the effort the Federation of Banks made recently with the objective of stimulating the establishment of projects serving development. A committee was formed in the federation to study investment areas which the federation's member banks can help through participation and financing, after which the federation presented a list of 10 projects the development plan called for whose economic feasibility some federation member banks are now studying. The Federation of Banks embarked on this positive step in the context of resolving the negative features to which the banking system is prone, in particular the banks established in accordance with the provisions of Law 43 for 1974 governing the need for them to help support productive investment and play a greater role in carrying out the development plan.

In my opinion, it is possible to remedy this phenomenon by directing the surplus liquidity in the possession of the commercial banks toward investment in the productive sectors by increasing the banks' direct participation in productive and export projects on which the success of the new 5-year plan is dependent. In this area, we would like to state that Article 39D of the credit law prohibits increasing banks' participation in companies by more than 25 percent of the companies' paid-up capital, with the condition that the par value a bank owns in these projects not exceed its paid-up capital and reserves. That is, this article prohibits the banks from contributing depositors' money to long-term investment. However, we consider that current economic conditions are not in keeping with this tendency and that it is now necessary to amend Article 39D of the credit law to increase the banks' participation in plan projects; thus the depositors will be converted into people investing through banks.

In addition, a decision was taken recently to increase the capital of public sector commercial banks by 20 million pounds, at the rate of 5 million pounds per bank, to give an opportunity for increased participation by these banks in long-term investment. However, we believe that 20 million pounds is to be considered a paltry amount relative to the estimated investments in the plan, which are close to 7 billion pounds, and this makes us advocate the need to allow the banks to invest a percentage of our deposits directly in long-term investment or conversely to reduce the percentage of reserves the banks retain with the Central Bank.

Evaluating the banking system's performance in the area of foreign currency in the light of its application of the 5 January and 6 April 1985 decrees, this is to be considered in effect the regulation of transactions in foreign currency in Egypt. In the context of the increased attraction of savings of



Egyptians working abroad into foreign currency, this is a matter of the utmost importance, since all commercial banks depend on remittances of Egyptians working abroad and tourist activity to finance import activities. The economic measures which were declared on 5 January and 6 April 1985 were taken because of the increased deficit in the balance of commercial transactions, the ongoing deficit in the general budget, the high inflation rates, the disruption of pricing policies and other circumstances which have dominated the exchange and import market; these had the goal of controlling the free foreign currency market and diverting the mechanism for setting the exchange rate of the Egyptian pound from this market to the banking system and the Central Bank. In spite of these economic goals, these decrees were subjected to many criticisms on the part of economists and businessmen, on the claim that they led in practice to negative results which affected economic performance in Egypt, cast the burden of arranging foreign currency on the banking system in view of the inadequacy and decline in the savings of Egyptians abroad through inflexible exchange rates, and failed to keep abreast of the rapid successive changes which have dominated the exchange market in the recent period.

On the other hand, the Federation of Banks has made an obvious effort in the area of the remittances of Egyptians abroad, the most prominent of which was the pursuit of direct contact with Egyptians working in Arab countries by the federation delegation. Here we are anxious to point out that the banking system's responsibility in arranging the necessary foreign currency to finance import credits must be carried out in the framework of preparing elements for the economic authorities which will enable the banking system in Egypt to perform this task, because, no matter what measures are taken, tying the exchange rate to the prices of remittances from abroad will be the main effective element in increasing the volume of remittances of Egyptians working abroad.

#### No to Money-Changers

The subject of evaluating the banking system's performance in the area of foreign currency procurement is connected to the recommendations recently raised concerning endorsement of the system of money-changers in Egypt so that they may assume the task of accumulating foreign currency alongside the banks. We consider that the economic and banking climate in Egypt is radically different from many of the systems in which a good money-changing system operates. In Egypt, there are 100 banks whose branches are spread out over all areas of the republic and they have realized a geographic deployment which is alternative to the spread of money-changers. In addition, these banks offer savings instruments which enable them to attract all savers, including small savers, through savings booklets in foreign currency, and these can be a more advanced alternative to the system of money-changers, especially in the event banks currently use the most modern technological banking systems money-changers can use. In addition to this, there is no possibility of realizing effective surveillance over these money-changers, who can easily shift to operations speculating in dollars, same as hard currency dealers, as well as performing some other excesses which harm the exchange market in Egypt. For this reason, the establishment of a system for money-changers at present in the context of these circumstances, which

are critical for the exchange market in Egypt, will in our view lead to problems and negative features we can dispense with because the money-changing system will not increase the supply of foreign currency or reduce demand for it. It is also feared that the foreign currency in the money-changers' possession will seep away from the field of plan project financing.

#### Credit Policy in the Balance

The time has come for a comprehensive review of the credit policy which was drawn up recently to go with the 1982-87 5-year plan, since the credit policy applied had the goal of controlling inflation rates by redirecting local credit to conditions which were in keeping with the demands of development and preserving economic activity. Evaluation of this policy frankly underlines numerous negative features which have had an effect on economic activity in Egypt from the investment and commercial standpoint. We can list some observations, the most important of which are:

Credit policy has not realized its basic goal, which is to control the rates of inflation. In this area, we will content ourselves with stating that the monthly Central General Mobilization and Statistics Agency bulletin pointed out that the consumer price index rose by 12.6 percent in May 1985 relative to May 1984 and by 2.1 percent relative to April 1985. The data shows that the index of food and beverage prices rose by 12.1 percent, for clothes and cloth by 14.7 percent and for medical, cultural and social expenditures by 22 percent in May 1985 over the prices of May 1984.

Credit policy has led to a presence of uninvested surpluses with the banks and the failure of part of national savings to be invested.

Credit policy has led to the presence of a recession in the the market which the minister of economy and foreign trade acknowledged and referred to in his interview with the newspaper AL-JUMHURIYAH on 5 September 1985 titled "Acknowledgment of the Existing Recession." His excellency said, "There certainly is a recession, as proved by the commodity inventory in the public and private sectors, the slow movement of bank credit, the presence of surpluses and the increase in the rate of bankruptcies and withdrawals from the market."

Private sector deposits increased by 32 percent in 1983-84 over the previous year, meaning a contraction in private sector commercial activity and its abstention from investment, at a time when the plan was allocating 25 percent of its investments to the private sector.

Therefore, we consider that it is necessary to review credit policy and also to review the decrees setting the overall volume of credit, since the decrees the board of directors of the Egyptian Central Bank issued stated in effect that the commercial banks, as of 1 July 1981, should undertake to keep the reserves of their liabilities from exceeding 65 percent of the reserves of deposits in all forms, to keep the rate of increase in their liabilities with the private commercial sector and the family sector from exceeding 12 and 10 percent respectively and to have the banks desist from giving any new facilities to finance the sale and purchase of passenger cars in particular, as well as imported consumer goods, starting 1 June 1982.

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EGYPT

## MINISTER DISCUSSES ENERGY, PETROLEUM PROJECTS

Cairo AL-AHRAM in Arabic 10 Oct 85 p 7

[Article by 'Abd-al-Hadi Qindil, minister of petroleum and mineral resources:  
"In Petroleum, We Seek To Achieve Balance"]

[Text] Since 1973, throughout the world, the issues of energy and oil; of the energy crisis, problems, and policies; and of their impact on the world oil market and prices have enjoyed greater attention than any other issues. But in Egypt, where petroleum constitutes the main energy artery at present and in the foreseeable future, the issue of energy and oil has not received the attention it merits until recently.

This late interest has come as a direct result of three factors:

-- The official announcement, for the first time ever, of the true volume of the reserves before the People's Assembly in December 1984 and the warning about the serious oil situation and about the impossibility of maintaining the balance between supply and demand if the conditions of the oil industry (reserve, production, consumption, and exports) remain the same and if no fundamental changes are made in them.

-- The conditions prevalent in the world oil market where the demand by the oil-importing industrial countries has declined, the market's surplus volume has increased, and the oil prices in the spot market have dropped, thus leading to a drop in the official prices and to the emergence of a state of tumult and chaos in the world oil market.

-- The warning about the excessive use of oil fuel resources and the raising of the slogan of rationalized consumption, of preserving these resources, and of the importance of developing the means to preserve energy.

Thus, these three factors have given Egyptian public opinion the chance to realize the serious energy situation and the danger of excess and waste in energy consumption. These factors must also give the public the opportunity to familiarize itself with the dimensions of the efforts exerted by the Egyptian oil sector to achieve an oil balance. This sector has undertaken two serious responsibilities which, together, form an equation that is difficult to achieve:

1. Meet the big and ever-growing local demand for oil derivatives at present and in the future.
2. At the same time, secure the greater part of the national economy's urgent requirements for foreign currencies.

#### Balance in Oil Sector

Since the middle of this century, an oil balance has been achieved in Egypt between supply (production) and demand (consumption). However, this balance has assumed various forms. By the end of the 1950's, crude oil production did not exceed 3.2 million tons a year and the capacity of the refineries amounted to 4.7 million tons whereas the consumption amounted to 4.8 million tons.

The problem was a two-sided one: the first was the failure of local crude oil production to meet local consumption needs, small though they were, and the second was that local crude oil production was of the heavy oil type which did not fit the local consumption pattern. The main problem lay in the fact that we were forced to export relatively large quantities of benzine, which was difficult to dispose of in the world market at the time, and large quantities of heavy fuel oil.

This means that the balance was achieved by importing nearly 2.3 million tons of medium-grade crude oil and mixing it with the local crude to be treated in the refineries, by importing kerosene and diesel fuel, and by exporting some of the national heavy crude and quantities of benzine and heavy fuel oil.

Immediately prior to the 1967 events, efforts had been focused on achieving a balance between the local supply and demand of oil by achieving self-sufficiency and producing a surplus (both crude oil and oil deliveries) for exportation, and on processing oil by setting up the heavy fuel oil carbonization complex in the Suez. Thus, the balance was achieved by achieving self-sufficiency qualitatively and quantitatively. This led finally to dispensing with imports and enabled Egypt to stand on the threshold of becoming an oil-exporting country, considering that oil production amounted to nearly 7 million tons in 1966 and that the refining capacity rose to 9 million tons a year whereas local consumption did not exceed 6 million tons. The net burden of the balance of oil payments dropped from 16 million pounds to only 7.5 million pounds.

In the 1970's and as a result of the 1973 victories, the balance between the oil supply and demand in Egypt took a totally different form. Whereas until then Egypt had been hardly producing enough to meet the local demand and whereas it had been estimated that the financial burden needed for importing Egypt's oil requirements would be, under the then prevalent economic and political conditions, much too heavy for Egypt to shoulder, the oil sector was not content with securing local oil needs but went beyond to turn oil production into a means serving our economic conditions and an instrument financing the economic development plans.



Thus, the picture changed from a delicate balance between oil supply on the one hand and local oil demand on the other to a balance between a large and ever-growing supply and a big demand growing by high rates, with a surplus to meet the foreign demand for Egyptian oil.

But now achieving a balance between oil supply and demand is exactly like solving a difficult equation. One side of this equation is to meet a large local demand that is growing at astronomical rates amounting to 15 percent a year and securing foreign currency revenues needed to finance Egypt's economic requirements and development plan by exporting part of Egypt's oil production, in addition to securing the growing future oil needs, while the other side lies in the fact that producing oil at high annual rates sufficient to meet the local demand and the exports represents a deduction from a limited reserve which, at the current production rates, will last for no more than 10 years.

#### Local Demand

In the 1970-80 period, the consumption of various oil derivatives rose from 5.9 million tons to more than 13 million tons a year, thus increasing 2.2 times at an average growth rate of 12 percent a year.

Butane gas consumption was 108,000 tons but rose to 382,000 tons (growing by more than 3.5 times) and benzene consumption rose from 444,000 tons to 1.2 million tons (growing by nearly 3 times).

Diesel oil consumption rose from 995,000 tons to nearly 2.3 million tons (growing by nearly 2.5 times).

Kerosene consumption rose from 820,000 tons to more than 1.5 million tons (i.e., growing twofold).

The consumption of heavy fuel oil rose from nearly 3 million tons to nearly 5.2 million tons, growing by nearly 73 percent.

In the 1980-84 period, the consumption figure continued to grow by a large degree registering dangerously high record figures.

The total consumption of oil derivatives rose from 13 million tons to 20.7 million tons, growing at an average rate of 15 percent a year.

Butane gas consumption rose to 580,000 tons, growing at an average rate of 13 percent a year.

Benzene consumption rose to more than 1.8 million tons, growing at an average rate of 10.5 percent a year.

Kerosene consumption rose to 2.1 million tons, growing by 10 percent a year.

Heavy fuel oil consumption rose to 7.7 million tons, growing at an average rate of 12 percent a year.

As for benzine, whereas in the 1960's it had been a surplus that was difficult to market, the picture has been reversed and the problem now lies in the fact that benzine consumption figures have reached very high levels that have been rising year after year. This poses to us the danger of reaching a situation whereby the local production is incapable of meeting the local demand.

The serious nature of the current demand for oil in Egypt requires that efforts be exerted to change the short-range and medium-range consumption volume and patterns, that studies be conducted on the degree of the flexibility in the demand for oil derivatives, that technological means be developed to preserve energy in the factories, utilities, means of transportation, and government and private offices, and that a study be conducted on the price and subsidy impact on the consumption volume and pattern and on the economic, political, and social aspects.

The subsidy has continued to grow with the consumption volume and with the widening gap between international and local prices. This subsidy amounted to nearly 1,917,000,000 pounds in 1984. This is enough justification to exert efforts to reduce the demand for oil or, at least, to lower the growth rates in the demand. This subsidy makes the local sale prices of oil derivatives very cheap in comparison with the international prices (in some cases, 20 percent cheaper).

I fully realize that the subsidy issue is linked to economic, social, and political factors and reactions and is linked to the state's general economic condition and that it cannot be tackled in isolation from the social issue as a whole. But the vast increases in the consumption of oil derivatives are not justified by a reasonable increase in production and in the national income.

The national energy rationalization program has begun to achieve tangible results. The year 1984 saw a good indicator insofar as the consumption growth rates are concerned. This rate dropped for all oil derivatives from 15 percent in 1980 to 12.2 percent in 1983 and to nearly 9 percent in 1984. The credit for a large part of this improvement goes to the expansion in the activities to replace liquid fuel by natural gas. Consequently, natural gas consumption grew by a big leap of nearly 32.5 percent in 1984 compared to a growth of 12.3 percent in 1983. However, the total oil and natural gas growth rate did not register any significant drop, amounting to 11.9 percent in 1984 compared to 12.3 percent in 1983.

On the other hand, local crude oil production dropped from nearly 16.4 million tons in 1970 to less than 7.5 million tons in 1974 because of the circumstances of that period and of the extreme pressure on the Gulf of Suez oil-fields. But production grew fourfold in the next 6 years to nearly 31.4 million tons in 1980 (including natural gas). A record production figure was achieved in 1984, with production amounting to 44.9 million tons, thus achieving an increase of 43 percent over the 1980 figure and growing at an average rate of 7.1 percent a year.

The sector tries to influence the crude oil supply (production) side by exerting efforts to increase the reserve while maintaining the current reserve as much as possible by producing from it in accordance with careful and wise calculations and over a reasonable number of years and by developing and increasing the natural gas resources.

To achieve this, investment, effort, and time are required to intensify the prospecting activities. It is also required to develop the oil agreements, especially those pertaining to prospecting for natural gas and prospecting in deep water and in Egypt's western desert, because we are eager to keep production in step with Egypt's oil potential and actual resources so that we may not deplete the proven reserve rapidly. This means that we are trying to establish a balance between the proven reserve and the real ability to increase it on the one hand and the consumption needs and the real ability to rationalize this consumption on the other hand.

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SUDAN

## BA'TH PARTY SECRETARY DISCUSSES MUSLIM BROTHERHOOD ACTIVITIES

### Mudaththir Interview

London AL-DUSTUR in Arabic 21 Oct 85 pp 25-27

[Interview with Badr-al-Din Mudaththir, secretary of Socialist Arab Ba'th Party in Sunda, by Jamal Isma'il: "Badr-al-Din Mudaththir to AL-DUSTRU on Recent Events: Sudan Will Not Be 'al-Turabi's North' Nor 'Garang's South'"; in Khartoum, date not specified]

[Text] Khartoum--Badr-al-Din Mudaththir, secretary of the Socialist Arab Ba'th Party in Sudan, stated that the National Grouping parties with their bases and leaderships are required to shoulder their full responsibility in joint action to protect democracy, expose the plotters and the sedition instigators, and also expose and uncover those dreaming of exploiting this sedition in an attempt to oppress the people.

In exclusive statements he made to AL-DUSTUR on the last few weeks' events in Sudan, Mudaththir also said that the Socialist Arab Ba'th Party has denounced the plot of the small racist minority and called for confronting it with what it deserves from the first moment. He further expressed support and backing for the armed forces' efforts in the performance of their duty to repel and deter violence so that it may become clear to all that the path of violence is a dead end and so that all may turn to tackling the heavy legacy left by Numayri's administration and the major problems experienced by Sudan through political dialogue and action and under the canopy of the democratic process which started with the April 1985 uprising--a process whose sound mainstays will not be entrenched except through democratic dialogue and action. The Ba'th Party secretary also pointed out that the party has warned at the same time against haphazard generalization in speaking of the plot. He stressed in this regard that the real position of the southern citizens and the sons of the Nubia Mountains is one of concern for democracy and for obstructing whatever may foil it, of concern for the country's unity, and of contributing along with the country's other citizens to building the ever-rejuvenated and united democratic future.

Badr-al-Din Mudaththir also stressed in this respect the necessity and importance of calling a spade a spade with utter precision when dealing with the details of the plot or when confronting it with information or with measures so that we may not find ourselves in the same ranks with those who want to ignite the flames of sedition and want to exploit its developments for narrow partisan or personal ends whose objective is to instigate against



and foil democracy. In this regard, the Socialist Arab Ba'th Party secretary in Sudan referred to the Saturday procession or the so-called Sudan security procession which was organized by the National Islamic Front, led by al-Turabi group, and to the communique issued by the Armed Forces General Command on the Tuesday preceding the Saturday procession, saying that the Arab Ba'th Party denounced the attempts to exploit the sedition to stage exclusive demonstrations by falsely pretending to be concerned with the armed forces, as if the others do not want the armed forces to put themselves in a position that enables them to foil the plot and settle the matter.

Mudaththir pointed out that what the National Islamic Front did is an exposed tactic whose objective was to pave the way for plotting against democracy and to tickle the ambitions of some military adventurers. Moreover, this front wanted to present itself as a new dictatorial facade, as it was during the last 7 years of Numayri's regime. The Socialist Arab Ba'th Party secretary in Sudan also emphasized that the armed forces, like the other masses of the Sudanese people, were not deceived by this tactic because in the wake of the experience of the past 16 years all know that the people will not again be ruled by a military dictatorship, regardless of what facade it takes.

In response to a question about his interpretation of the propaganda mobilization preceding the Saturday procession organized by al-Turabi's front, Badr-al-Din Mudaththir said that this was due to the tactic adopted by this front--a tactic which appealed to some officials and which reflects in one aspect its ability to deceive some sincere people who actually imagined that the Saturday procession was in support of the armed forces and who could not discern the latent sedition it could instigate or the undeclared objectives the procession organizers have.

Touching on the National Grouping's position in this regard, Badr-al-Din Mudaththir said that the procession organized by the Grouping to demand the handing over of Numayri, staged a week before the procession of al-Turabi's front, came before the latest escalation connected with the delivery of Garang's message, with the blockade of al-Nasir by Garang's forces, and with the military operations which Garang staged at the time. This caused the Grouping to move deliberately in declaring its positions through specific measures. But it condemned the escalation caused by Garang's forces, it declared its support for the army, and it demanded that violence be repelled and deterred. The Grouping also declared that it was in the process of organizing the people's expressions of this balanced position which coupled denunciation and deterrence with the creation of the right climate for continuing the national dialogue. The National Islamic Front had announced by then the staging of its march on Saturday. Therefore, it was inconvenient and impossible for the Grouping to set a date for a march it was organizing--a march reflecting this balanced position which absorbs and contains the escalation and provides the requirements for deterring it without a counter-escalation likely to block the path against resuming the democratic dialogue's course and to foil the agreed-upon content concerning the visualization to the solution of the problem. This is the content included in the prime minister's statement that was established as a framework for solving the problem through dialogue. This is the framework that has the approval of all the Grouping's circles, including both parties and labor unions.

Regarding the fate of the southern problem in light of the latest developments, Badr-al-Din Mudaththir expressed his confidence that the Sudanese people and all the official and popular institutions involved in the uprising are on their way to contain and overcome the crisis that has prevailed in recent weeks and that it has become urgent to move on to hold the dialogue conference, especially if this is preceded by implementing the National Grouping's resolution on contacting John Garang and putting him face to face with his responsibilities to the people. Garang will either come to the dialogue and present all his views, whether concerning the southern problem or concerning the Sudan as a whole, or will insist on continuing to help those lurking after democracy in the north by giving them the justifications to plot. At the same time, he will allow all to believe that the objectives he has declared are not his real objectives. In such a case, the north and the south must proceed hand in hand, with all their political and regional structures, on the path of tackling the problems objectively. Garang will then have either to embrace the solutions or to reject them, in which case he will put himself against all the Sudanese people.

In response to the statements reiterated by some people to the effect that all the circumstances under which Sudan lives do not lead to the conviction that there is in the north somebody to hold the dialogue with Garang, Badr-al-Din Mudaththir pointed out that these statements that are made by some people are a part of the plot being hatched in the north and whose objective is to lead the struggle in the north to a level of violence that makes it difficult for the national will to unite and that, at the same time, indirectly helps John Garang himself justify his continued resort to arms. In this regard, the Socialist Arab Ba'th Party secretary in Sudan referred to the plot, or at least to the aspect of the plot connected with the Muslim Brotherhood, saying that its objective is to reach the moment when it becomes impossible for the country's unity to continue, with the south thus seceding. They [Brotherhood] think that this will make it easier to pounce on power in the north, believing that the south is the main obstacle in the face of establishing their state, which they falsely and deceptively call a religious state, and that when the south secedes the path will be open for them to establish this state in the north, with a new leaf thus turned in the struggle between the north, ruled by the National Islamic Front, and the south, ruled by Garang, and with Sudan being turned into an arena for an open international conflict taking place on behalf and for the benefit of the international powers.

Regarding the transitional-period constitution which is expected to be approved by the Transitional Military Council in the next few days, Badr-al-Din Mudaththir expressed optimism, saying that this will certainly be one of the factors rendering help in the direction of stabilizing the uprising's institutions during the transitional period, insuring the termination of this period on schedule, and blocking the path of the plots against democracy. As for the transitional-period constitution and the conditions in the south, Badr-al-Din Mudaththir said that the resolutions to be issued by the national conference for a dialogue on the south can, in case the conference is held, be added to the articles of the transitional-period constitution. He then touched on the proposed parties law, stressing that it is taken into the

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plotters' calculations and that it is no more than a means to embalm, entomb, tame, and subjugate the parties so that they may be contained by the predetermined dictatorial mold.

For these reasons, Mudaththir asserted that the Socialist Arab Ba'th Party has fully rejected and will continue to reject this law. He noted a memorandum presented by the party on the day following issuance of this bill to all the leaders of the political parties and unions in the Grouping--a memorandum explaining in detail the reasons for rejecting this law in principle and pointing out at the same time many aspects that indicate the undemocratic nature of the law and the dangers it harbors for the democratic process. Mudaththir said that some party leaders have expressed their opinion on this law verbally but that nobody other than the Ba'th Party has presented his opinion in writing. Moreover, all opinions were in agreement that the law abounds with articles that are dangerous to the progress of democracy and that must be amended. Others agreed with the Ba'th Party on rejecting the law in principle.

Badr-al-Din Mudaththir also stated that it was agreed that every party and union will present its opinion in writing to a future session to be set aside for discussing the law. He also expressed the belief that the bill will not be presented to the Council of Ministers or to the Transitional Military Council before all discussions on it are completed.

Concluding his statement, Badr-al-Din Mudaththir stressed that the alternative to this law is a code of honor issued by the political parties themselves and underlining their adherence to democracy and their opinions on the democratic guarantees and on the bases of the relationship between democratic action and political struggle. If any government wants to adopt this code, then this is something else. Moreover, the law has nothing to do with this issue, except by issuing a single article appended to the right law and giving the existing political parties that sign the code the status of a legal person to make it easier for individuals to deal with the parties in legal transactions and to prevent any faction from attacking any party, either because of its name or because of some private issues concerning it. The decision on all other issues, such as violence, relations with a foreign country, and other issues which the proposed law deals with, should be left to the existing laws because they all bring legal-status persons and individuals to account for any criminal offense, meaning that the matter does not require a special law.

#### Party Statement

London AL-DUSTUR in Arabic 21 Oct 85 pp 26-27

[Statement Issued by Socialist Arab Ba'th Party on 2 October 1985]

[Text] In the wake of the failure of the coup attempt staged last month, all the political forces condemned the attempt unanimously because it was aimed against the country's democratic procession. But in addition to denouncing the coup attempt, the Socialist Arab Ba'th Party viewed the issue more comprehensively because the political struggle in Sudan is in fact a struggle between the forces eager for democracy, stability, and peace on the one hand

and the advocates of sedition, escalation, and counter-escalation and the plotters against democracy on the other. With this understanding, the party issued on 2 October 1985 a statement underlining its viewpoint and drawing attention to the suspect response between the advocates of escalation and of counter-escalation. AL-DUSTUR publishes here the text of the statement because it reveals certain aspects of the nature of the political struggle in Sudan:

Masses of our struggling people:

"Even though our Sudanese people's traditions are founded on renouncing the use of violence in political action and military force in imposing solutions, and even though this peaceful method of struggle has proven its feasibility with our people's ability to topple two dictatorial regimes in 20 years through political strikes and civil disobedience, the carrying of arms by a faction of our people in the south against Numayri's defunct regime was justifiable and was viewed with sympathy by the people's masses by virtue of its being a limited action tied to the necessity of toppling the dictatorial and lackey May regime which plundered the people's sustenance and sold the country by any method or means. In this regard, we said that the people's armed forces are one of the factions that have their role in the effort to topple the regime of the murderer Numayri and that John Garang's group should not aim their blows against our armed forces but must unite its struggle with the struggle of the opposition forces in the north and the south in a single front to topple the regime of the murderer Numayri.

"But in the wake of the great March/April uprising, of the elimination of the government of the murderer Numayri, and of the rallying of all the Sudanese citizens in the north and in the south, in their unions, their parties, and their armed forces to consult, ponder, and reach a formula for governing the country based on a 1-year transitional period after which power would be completely handed over to the people, there is no longer any justification for carrying weapons and resorting to violence in political action. Rather, democratic dialogue has become the path to deal with the consequences and traces of the previous phase. It has become understood that any attempt to instigate sedition, turmoil, and instability in the country and to resort to violence and military action can only lead to obstructing the democratic process and to plotting against it."

"There has been evident reluctance to liquidate the consequences of May because the freedom-restricting May laws have been maintained, including the state security law, the September 1983 laws, and the (president's) special powers. In the first 4 months of the uprising, no serious tendency has been demonstrated to deal with the problem of the south. We in the Socialist Arab Ba'th Party have been warning constantly since last April of the need to liquidate the traces of May and to hold a national conference to tackle the problem of the south. We proposed that this conference be held openly before the people's eyes and ears, that the political parties and the unions in the north and in the south, the Transitional Military Council, the Council of Ministers, and the Movement for the Liberation of the Sudanese People take part in the conference, and that the conference debates be open so that its resolutions may be binding on all before the people.



"But we have emphasized at the same time that the process of liquidating the May traces is a popular democratic and a civilized legal process that takes place under the canopy of the supremacy of democracy and of the rule of the law. We have called for greater democratic liberties in the country. But the question that imposes itself now is: Can we consider the reluctance to liquidate the May traces and to issue a political declaration to solve the problem of the south enough reason for the continued carrying of arms in order to impose solutions, as if we were in the era of the murderer Numayri?

"Now that the Council of Ministers has issued its political declaration concerning the conference on the south, is there any reason to persist in violence, to carry arms, and to instigate troubles and instability in the country?

"The striking reality which no eye can miss is that there is no longer any justification for the continuation of military action or for opening fire on peaceful and unarmed people in any part of Sudan or on our people's armed forces who are the true protectors of democracy and of the country's unity, security, and safety.

"Therefore, we in the Socialist Arab Ba'th Party emphasize the following:

"1. Our denunciation and condemnation of any attacks staged in any part of the country by John Garang's forces under the name of the Army for the Liberation of the Sudanese People because such attacks are cause for sedition and for instigating troubles and instability and because they are suspect actions that can only flow into the course of democracy's enemies and pave the way for adventurers to seize upon dictatorship and to restore the May regime behind new faces and forms. The people can discern clearly how democracy's enemies, led by the Muslim Brotherhood, respond to John Garang's escalation with counter-escalation by inflaming religious and racist sentiments and by haphazard generalizations aimed at pushing Garang toward greater military escalation, at helping him enhance his power of polarization among the citizens of some parts of Sudan, and at transferring the war to the national capital and to other parts of the country so that it may turn into an all-out civil war between northerners and southerners wherever they exist. The ominous Saturday procession and the unjustifiable internecine fighting it caused between northerners and southerners in various parts of the capital--internecine fighting whose consequences continue until today--are the best proof of this. But the awareness of our people in all the provinces and their democratic traditions will inevitably block the path in the face of the two parties to the sedition; Garang and the Muslim Brotherhood.

"2. Our denunciation and condemnation of the recent racist plot planned by Philip Ghabbush's group in cooperation with John Garang's group because any attempt by any circle to seize power by violence and military action under these circumstances constitutes nothing but an obvious plot against democracy and a provocation of sedition in the country because the use of violence and of military force by any circle to impose solutions is a dead end and a premeditated obstruction of the democratic process. In this regard, we laud the alertness of the armed forces who foiled the plot and laud the positions of the Union of the Sons of the Nuba Mountains and of the southern citizens who reject violence and plots.

"3. Our support and backing for the people's armed forces in performing their role of protecting the democratic process and in safeguarding the country's unity, safety, and security. We give them real support in this regard, not superficial verbal support aimed at luring adventurers to pounce on democracy, as the advocates of counter-escalation in the Muslim Brotherhood do. In this respect, all the people must stand behind their armed forces so that they may be able to repel and stem violence with the military force needed for the purpose, so that those who have not yet realized so far may realize that the path of violence and military action leads to a dead end in tackling the problem of the south and any of the country's other problems, and so that just as violence and military action have failed throughout 30 years to lead the country to any solution to the southern problem, they will continue to be an abortive and blocked path in the future. The wise will then be those who gather around the table of peaceful democratic dialogue because it is the only way to lead the country out of the maelstrom of civil war and of internecine fighting among the sons of the one homeland.

"4. Our condemnation and denunciation of any attempt to reinforce John Garang's military efforts by provoking the feelings of the sons of the south and of the mountains and by pushing them to join the insurgent camps through generalizations. We also condemn any attempt to widen the scope of the war and to transform it into an allout war between the sons of the north and the sons of the south wherever they exist. The struggle going on in the country at present is in fact a struggle between the forces eager for democracy, stability, and peace in all parts of northern, southern, eastern, and western Sudan on the one hand and the advocates of sedition, escalation, and counter-escalation and the plotters against the country's democratic progress on the other hand.

"5. Strengthening the people's front, embodied in the National Grouping with its parties and unions, in the Council of Ministers, in the Transitional Military Council, and in the people's armed forces, to rescue the homeland, to safeguard the democratic process, to confront the homeland's and the people's enemies, and to create the climate for transferring full authority to the people at the end of the transitional period set for the purpose and for establishing a completely democratic system in the country.

"A great criminal act is being planned by forces with conflicting principles but with identical objectives and means--forces that form pockets in the political movement in the north, the south, and the west. This criminal act seeks to obstruct the democratic process and to incite sedition and turmoil in the country. These forces respond to each other with escalation and counter-escalation and each serves the other in a suspicious manner that urges all of us in the north and the south, Arabs, Nubians, and southerners to be alert and vigilant and to give serious pause to analyzing the positions so that these forces may not exploit the people's emotions and drag them to a catastrophe and so that they may not achieve their scheme of extending the civil war to all parts of the country. Let us adhere to our condemnation of violence and military action and let us cling to the national dialogue so as to foil the opportunity for the plotters. Victory to our heroic people and to their objectives of peace, democracy, national unity, and progress."

Socialist Arab Ba'th Party

2 October 1985

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## BAHRAIN

## OIL PRODUCTION, TRADE STATISTICS ISSUED

London AL-SHARQ AL-AWSAT in Arabic 21 Oct 85 p 4

[Article: "Bahrain Oil Industry Maintains Its Production Level for First Time Since 1970; Growth Rate in Natural Gas Production Amounts to 6.5 Percent; Imports from Saudi Arabia Increase by  $\frac{1}{2}$  Million Barrels"]

[Text] The Bahrain Currency Establishment asserted that Bahrain's oil maintained last year (1984) its production level, amounting to 15.3 million barrels, for the first time since 1970. This is in contrast with the tendency of the preceding rates, which showed an annual drop of 5 percent in the production of Bahrain's oilfields. Natural gas production rose by 6.5 percent.

Sources said in the establishment that refined oil recorded last year an increase in demand, with the 1984 production amounting to 73.4 million barrels compared to 63.8 million barrels in 1983, i.e., increasing by 9.6 million barrels or 9.6 percent.

The sources also noted that Bahrain's oil imports, imported in the form of crude oil from Saudi Arabia, increased as a result of the slight improvement in the international demand for oil, especially in the first half of 1984, from 47.5 million barrels in 1983 to 48 million barrels in 1984, i.e., rising by  $\frac{1}{2}$  million barrels or 1 percent. The total value of the 1984 oil imports amounted to nearly 534.8 million dinars compared to 522.9 million dinars in 1983.

The sources further stressed that the refined oil exports scored in 1984 a considerable increase, amounting to 70.4 million barrels compared to 63.8 million barrels in 1983, i.e., increasing by 6.6 million barrels or by 10.3 percent. As a result, the value of the exports rose from 972 million dinars in 1983 to 1,019,800,000 dinars in 1984.

Bahrain's 1984 natural gas production scored an increase of 11.9 billion cubic feet at a growth rate of 6.5 percent, with production rising from 184.1 billion cubic feet in 1983 to 196 billion cubic feet in 1984.

## Drop in Inflation

Bahrain's inflation rate continued to drop for the fourth successive year, amounting to 1 percent in 1984 compared to 3.5 percent in 1983. This drop in inflation is due to several factors, especially the drop in inflation in imports from the outside world, the rising value of the Bahrain dinar versus the major currencies, and the drop in housing rents as a result of diminishing demand and the increased supply in ready housing units as well as the obvious impact of the continued government subsidy for a number of essential commodities and of the rationalization of public spending to achieve this drop in the inflation rate.

A report issued recently by the Currency Establishment shows that Bahrain's general budget achieved a surplus of 10.2 million dinars or of 1.9 percent in 1984 compared at a deficit of 50.3 million dinars in 1983.

The total value of the 1984 imports amounted to 548.8 million dinars, with an increase of 64 million dinars over 1983, compared to 538.6 million dinars constituting the government share of expenditures, with an increase of 3.5 million dinars over 1983 expenditures.

As for Bahrain's trade balance, it recorded by the end of 1984 a deficit of 146 million dinars, compared to a deficit of 53.8 million dinars in 1983, as a result of a drop in exports and an increase in imports. Non-oil trade recorded the biggest deficit, with this trade amounting to 547.3 million dinars in 1984 compared to 489.6 million dinars in 1983. Meanwhile, the oil trade recorded a surplus of 401.3 million dinars in 1984 compared to 435.8 million dinars in 1983.

## Drop in Aluminum Exports

In the exports sphere, the total value of non-oil trade dropped from 230.8 million dinars in 1983 to 159.2 million dinars in 1984 due to the drop in aluminum exports and the drop in the re-exportation of machinery, electronic equipment, and manufactured goods whose re-export value amounted to nearly 65 million dinars.

In trade with Gulf Cooperation Council member states, the value of Bahrain's exports to these states dropped in 1984 as a result of the severe drop in the value of the re-exports to these states. The total value of Bahrain's exports to the Gulf Cooperation states amounted to 62 million dinars in 1984 compared to 83 million dinars in 1983. Meanwhile, Bahrain's imports from these states amounted to 24.3 million dinars, with an increase of 3 million dinars or 3.3 percent of its total imports from these states in 1984. The trade surplus with the Council member states also dropped from 67.8 million dinars in 1983 to 37.7 million dinars in 1984.

The 1984 total balance of payments recorded a drop of nearly 39.1 million dinars compared to a surplus of 46.4 million dinars in 1983.



Insofar as Bahrain's commercial banks are concerned, the report notes that the unified budget amounted to 871.6 million dinars in 1984, with an increase of 211.9 million dinars or 12.8 percent over 1983. The private and public sectors' deposits amounted to 80.4 percent of the total local resources of the commercial banks in 1984, with the total value of the private sector's deposits amounting to 749.6 million dinars compared to 769.6 million dinars in 1983, i.e., with a drop of 2.6 percent resulting from the re-categorization of government and semi-government firms as part of the public sector. The public sector's deposits showed an increase of 126.4 million dinars or an increase of 110.8 percent over 1983, considering that this sector's deposits amounted by the end of December 1984 to 240.5 million dinars compared to 114.1 million dinars in December 1983.

The private sector's deposits valued in Bahrain dinars and including certificates of deposit amounted to 480.9 million dinars and the deposits placed in foreign currencies amounted to 268.6 million dinars. The private sector's deposits valued in Bahrain dinars and including certificates of deposit amounted to 292.2 million dinars and this sector's deposits in foreign currencies amounted to 41.6 million dinars.

The commercial banks' foreign liabilities dropped from 150 million dinars by the end of 1983 to 105 million dinars by the end of 1984, thus recording a drop of 30 percent. This drop was concentrated in the drop of 43.6 percent in the banks' liabilities to their head offices and branches abroad and to the drop of 20 percent in the commercial banks' transactions with foreign banks in comparison with the end of December 1984 [presumably meaning 1983].

The commercial banks' foreign assets dropped from 470 million dinars in 1983 to 435.8 million dinars by the end of 1984, i.e., decreasing by 7.3 percent below the preceding year as a result of a drop of 30.3 percent in credit facilities for non-residents and a drop of 95 percent in foreign investments.

The total value of the assets and liabilities of the foreign banking units, numbering 76 operative banks, amounted to 62.69 billion dollars by the end of December 1984 compared to 62.74 billion dollars by the end of December 1983. The banking units' currency futures market achieved a growth rate of 15.8 percent by the end of 1984, growing from 18.7 billion dollars to 21.6 billion dollars by the end of 1984. The U.S. dollar got 45.2 percent of the total purchase in the currency futures market, the regional currencies got 36.2 percent, and the other currencies 18.6 percent. In contrast, the sales transactions in this market amounted to 35.5 percent, 26.4 percent, and 20.1 percent, successively.

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IRAQ

# INFORMATION MINISTER DISCUSSES THE WAR, INFORMATION, MORALE

London AL-TADAMUN in Arabic 24 Aug 85 pp 10-12

[Interview with Latif Nusayyif Jasim, minister of culture and information, by Diyab Nubhan: "After the War the Picture Looks Brighter", date and place not specified]

[Text] Tehran has lost many bets in its insistence on prolonging the war: economic, military, human and other spiritual and psychological bets, all of them made on the assumption that prolonging the war would lead to Iraq's exhaustion and retreat. But the opposite has happened. After 5 years of war all the facts indicate that Iraq has been successful in adjusting its daily life to strengthen its ability to resist and to meet the demands of continued defense of its territory and sovereignty.

Information, culture and the arts are among the aspects of daily life with which Iraq is working successfully, not only to meet the mobilization requirements of the war, but to create cultural and artistic works which will help to express the cultural metamorphosis which Iraq is experiencing, and to establish a basis for the next generation to build on as it matures.

In order to find out about the role of information and culture during wartime, and the methods being used, we spoke with Iraq's minister of information and culture, Mr Latif Nusayyif Jasim. The interview began with a question by AL-TADAMUN:

[Question] The bet was that the Iraqi situation would deteriorate if the war were prolonged. But the opposite has happened. What rules have been applied to maintain Iraq's spiritual growth during wartime? What evidence is there of growing concern for culture and the arts during wartime, and how has this been reconciled with the demands of daily information? Have the Iranian information agencies used the methods of Iraqi information work during the war?

[Answer] It is well known that information is one means of expressing facts. It plays a significant role during both war and peace, but it is more significant and influential during wartime because war is an unusual situation in the lives of peoples, individuals and societies, and the destiny, independence and existence of the country hinge on the outcome of the war. Therefore,

if the methods of communicating information do not rise to a level consistent with the decisiveness of the situation the nation will without doubt be unable to accomplish its task and will not be up to the challenge confronting it. That is what we meant by war.

President Saddam Husayn noted the importance of verbal communication in the life of peoples and societies when he equated it with a bullet, saying: "The pen and the rifle each have a muzzle." He thus emphasized that verbal communication in wartime is sharper than any other weapon, except weapons used directly in battle.

This brings up the thesis of speech and information--that is, speech expressed through some medium, or direct speech expressed with words--and at this point I will introduce the link between information and culture. Culture is an expression of life in all its aspects, including emotions. Information consists of a group of physical and technical media: the press, radio, television and other print media.

The link between culture and information is controversial, particularly in wartime. Information is not used in its raw, psychological form as news without a psychological and cultural background. Culture defines the direction in which man is going. It is man's creation. It is the crystallization of his convictions, his principles and his view of things.

Information may cause emotional shock for a limited time, but this soon disappears when a different or contrary news item of passing influence comes along. But the cultural and artistic gestalt is an indication of civilization. We have always been wary of the shock which disappears when the influence goes away. But cultural creation is an act which profoundly effects the future of civilization, for both individuals and society. Information might be used in ways to influence the public in some specific way. But if it has no connection with facts, that will become known, and whatever influence it has will disappear when circumstances and fashions change, particularly when the world is becoming smaller through extraordinary developments in communications.

Therefore, the Iraqi information apparatus has used the truth, and it has not concerned itself with psychological concepts which are learned by some in order to create a quick psychological shock. Sometimes we try not to reveal the whole truth, but it would be impermissible for us to add or invent untrue "facts." Whenever the course of the psychological war has to rely on that, it leads unfailingly to the creation of a psychological disorder, a feeling of inferiority and frustration when the truth is discovered.

That is what happened to the Iranians.

They invented imaginary battles. They invented crushing Iranian victories. They spoke about decisive final battles, while the truth of the situation was just the opposite. The truth speaks of huge losses suffered in every battle. It speaks of their devastating failure in every attack. When the facts became known, and the Iranians' tactics were revealed, they justified

themselves with excuses which created such a strong feeling of frustration and a reservoir of negative feelings among the Iranian people that they stopped paying attention to their information apparatus. In fact, it reached the point that Iranian officials had to demand that the Iranian people stop listening to foreign broadcasts and ordered them not to believe the news reports they heard on them. It even reached the point that they hurled accusations and abuse at the world's information services. And there were other things which helped to cause a spiritual and psychological depression among the people of Iran. If the Iranians had used facts, sweetening them or making them bitter, they would not have fallen into this critical situation, and their information service would not have lost its credibility among the Iranians and the rest of the world.

In Iraq we have relied on the truth as it is. We have reacted quickly to events, and we have forged extensive relations with the world's radio and television networks, news agencies and press. We have given them the freedom to investigate the situation. We have given them the freedom to investigate the situation. We have not required any Arab or foreign journalist or correspondent to write what we wanted. We have forged extensive links with them, and nearly 6,000 journalists and correspondents have visited Iraq since the beginning of the war. This number says something about the truth of what is being reported, and has helped to bring the facts not only to the whole world, but also to the Iranian people, who, like other people, listen closely to international news reports which are broadcast here and abroad.

As for the question of reconciling culture and information, and, increasingly, art and culture and the demands of supplying daily information, the same people are responsible in both areas--the field of information and the field of culture and art--despite differences in the modes of expression and the tasks. In the final analysis, our goal is to build a national socialist society, immune to all aberrant influences from abroad.

All of these tools have been used for information purposes. When we hold a poetry festival or a song festival, or we make a war film or a play, or hold an art exhibit, it touches on the war, it is attuned to the Iraqi mind, and it gives the people a sense of pride. And it is reported to the people through the information media. There is creation in this, and artistic creation has been used for information purposes. The war is grist for both information and culture at the same time. Information and culture have managed to mesh closely. Each supports and sustains the other.

It would be a major error if we were to concern ourselves only with information, by establishing a one-sided view of the matters affecting individuals and societies. Information has been an expression of the rising cultural level in Iraq. We are considering an additional specific matter in this connection during wartime: the famous and great Arab poets and artists, and the songs which have been a vast source in the maturation of the Iraqi personality and in the formation of his ideals.

These methods and our use of them are not alone responsible for the situation in which we find ourselves in wartime. Iraq has a long history and a vast



heritage of culture and civilization. It is clear to the people of Iraq that they have been the victims of aggression, and that they are defending their freedom and sovereignty, and their opportunities for progress and building. All of these factors have made it unnecessary for Iraqis to keep asking themselves "why are we fighting this war?" The matter has already been settled, intellectually and consciously, that the war is in defense of his homeland, his children, and the highly developed society Iraq has attained.

At the forefront of all of this is the genius of President Saddam Husayn, who has used all the words of the marketplace to achieve victory and strengthen the spirit of victory. All of these factors have established living words to maintain the spirit of perseverance and resistance, while at the same time maintaining every aspect of life: cultural and artistic creation, and progress in other areas. The universities, academies, and schools have continued to improve. Many new schools and numerous academies have been built. New hospitals have been built. Construction activity, and economic and social progress have continued. Public services have improved and increased. Development activity has continued according to plan, while the military forces have continued to grow and improve in the areas of training, armaments and ability to perform their duties and fight in various kinds of military situations.

On the other hand, we find the Iranian regime in a dangerous state of psychological and spiritual depression. Putting the cart before the horse, the needs of daily life in Iran were interrupted, and opportunities for the Iranian people became fewer and almost disappeared. The war has become a factor for fragmenting the Iranian people, and for igniting disputes among them, even within the ruling institutions in Iran.

Life is getting better for the Iraqis while the Iranians are on the verge of collapse. The signs of collapse and breakdown in Iran are unmistakable: the collapse of morale and a sense of hopelessness; increasing domestic crises; and diminished opportunities since Khomeyni first came to power.

[Question] The 5th year of the war has ended, and the 6th has begun, or is about to begin. This is definitely the longest war in modern times. Is the end still not in sight? Do you foresee any new serious possibilities for ending the war in its 6th year? There is talk from time to time about limited progress in the efforts of foreign mediators. What is the extent of this progress? Is it enough to continue these efforts, or are they being thwarted by Iranian intransigence?

[Answer] Our position on war and peace is based on principles and politics. Iraq did not choose war. It was forced into it in self defense. It did all it could in an attempt to avoid war, but it was left with no other choice than to enter it to turn back aggression against it. The Iranian acts of aggression which occurred prior to 4 September 1980 are on record and are well-known. The protests we sent to the Iranians about these acts of aggression and border violations are on record and are well known. The Iraqi Foreign Office has in its files approximately 272 protest memoranda to the Iranian charge d'affaires in Baghdad prior to 4 September 1980, documenting all of the Iranian

acts of aggression and violations against Iraq. These acts of aggression escalated to the point of bombarding Iraqi cities and villages and economic installations with long range heavy artillery. On 22 September 1980 we were compelled to respond. Six days later we announced that we were ready to accept negotiations and a peaceful solution to the conflict with Iran.

Iraq is not constrained with respect to peace. It has two choices--self defense or peace. The Iranian regime has only one choice, war, and that is a dilemma.

We would welcome with an open mind any initiative by any party, as long as it takes two things into account: non-intervention in internal affairs and respect for the political decisions of the two countries. We would cooperate with such initiatives just as we have cooperated with those offered by all foreign mediators. But the Iranian regime has persistently clung to the war option in an attempt to occupy and destroy Iraq, to use it as a bridge over which it can cross to launch an attack against the Arab nation to destroy its national existence. Iraq will not accept that and will prevent it by resisting and defeating aggression.

Our position on peace is well known, and is on record in the speeches of President Saddam Husayn and in his open letters to the Iranian people. This position calls for an immediate cease fire, the withdrawal of forces to the two countries' international borders, a full exchange of prisoners, either direct negotiations or negotiations through a third party, and the formation of a committee to determine which side was the aggressor and which side is responsible for having the war drag on for 5 years.

Every Iraqi and every Iranian is aware of this Iraqi position on peace. The peace option, in our opinion, is a fundamental political choice. Iraq will continue to view this matter logically, calmly and compassionately.

With regard to mediators, so far none of them has achieved any positive results or made any real progress as a basis for further progress. The Iranians, as is well known, have refused to listen to any good proposals, and they reject all good efforts, heaping abuse on such proposals and efforts. They have heaped abuse on impartial parties, on the United Nations, and on the Security Council. They hurl abuse at anyone who makes an effort to mediate an end to the war, or who tries to end the bloodshed between the two countries.

They have rejected, and continue to reject, all international and local effort to end the war. Political mediation is thus stalled. Iraq, on the other hand, is cooperating with every effort to stop the war, as long as it abides by the ground rules I mentioned before, and as long as it is sincere and candid, and as long as it does not interfere in any way with the development of our military and technical capabilities. International political opinion is behind Iraq, which is still listening to people of good will and their calls for peace. We will let history judge the Iranians.

[Question] What is the significance of the limited military operations which Iran is undertaking in the central and northern sectors of the front. Does

this indicate a change in Iranian strategy, which has relied on massive manpower in the past, or is it an indication of the Iranian regime's inability to make any headway with this strategy? Or does it mean that there are other goals, or does it mean something else?

[Answer] The Iranians have used methods of the utmost deviousness and demagoguery since the outbreak of the war. But what we are more concerned about is the period between 30 June 1982 and now, that is, the last 3 years of the war.

After the Iranians became tired of the war and began demanding an end to it after Iraq's withdrawal from Iranian territory, the Iranian regime began to talk about undertaking a final, decisive attack. I believe that this "final, decisive attack" has psychological significance: a suggestion to any Iranian who wants to participate to come forth so that he can have his share in the victory, because this time the battle will decide the outcome of the war. Another extremely important factor is that the Iranian regime imagines that with this psychological suggestion it is carrying out psychological warfare against the Iraqis.

But what has been the result in the 3 years since the withdrawal of Iraqi forces from Iranian territory?

Eighteen large-scale attacks have been launched against Iraq, all of which have been broken, while the borders have been turned into mass graves for the Iranians. So what has become of the "final, decisive attack?" Let them try two or three more "final, decisive attacks." The question is whether the Iranians will come the way they used to come in the past.

I believe that the tactics now being pursued, whether as a deliberate move or as a result of the regime's inability to mobilize the large number of people it had in the past, is the discovery of this twisted method. The evidence for that is that in a recent speech Rafsanjani told the Iranians: "Come, let us set the front ablaze from the north to the south. You will not have to wait 3 or 4 months to return home as you did in the past."

We can take this emotional factor into account. It indicates that the Iranians are rejecting war, and that they have begun to doubt what their leaders are saying. This means that relations between the ruler and the people are becoming strained.

Moreover, instincts might be aroused once or twice or even three times. But no matter how aware or ignorant a person may be, he will eventually catch on. The imminent collapse and death at the front will rouse the mind and kindle the instincts, particularly the instinct of self-preservation. When Khomeyni's magic wears off, along with the promise given to the Iranians of paradise and victory over Iraq, and the promise of smashing Iraqi tanks and crossing the border in 1 or 2 days--now that 5 years have passed during which Khomeyni has grown weak and impotent--the people will curse him and curse those who are closest to him. Khomeyni's speech to those closest to him and to the scientific workers is well known. He told them: "What will the people

who have gone to heaven because of our admonitions to them say when they see us and you in hell tomorrow?"

If this is Khomeyni's situation, and he and his cohorts know that he is going to hell, how will he present his revolution to the world, with what is in store for him and his band of lunatics? If Khomeyni and the people closest to him are going to hell, as he says, how will tens of thousands of Iranians go to heaven? If he can send them to paradise, why can't he send himself and his cohorts to heaven without all this effort and all this fear and anxiety? He is an imposter, as we said at the beginning of the war, and now he is exposing himself.

[Question] You expressed opinions at the beginning of the war, and now, during the war, you say that the Arab position on the war is to blame for its outbreak and its prolongation. Can you comment on that?

[Answer] It is well known that the majority of Arab countries support Iraq intellectually and emotionally. The Syrian and Libyan regimes have allied themselves with the Iranian regime, and it seems that history will have something to say about that. When the war is over some Arab rulers will go down in history in a positive light while others will go down in history in a negative light. History cannot be all black or all white. This alliance with the Iranian regime is contrary to the Arab nation and is contrary to pan-Arab principles. This alliance is certainly in complete harmony with the Zionist entity's plan to destroy the unity and national existence of the Arab national, and to change it into quarreling factions. The laboratory which the Zionists and their allies built in Lebanon is the same laboratory, built with the same tools and with the same methods, that has been built in Tehran. But Arab will, Arab history, and the Arab cultural richness and spiritual heritage will be too much for these schemes being formulated against the Arab nation in the Zionists' chambers.

[Question] What do you foresee in the postwar period?

[Answer] At the beginning of this discussion I said that the cycle of war is an exceptional, though important, feature in our life, as it is in the life of other peoples. We are searching for peace. We want to build our country, and we want a normal life for our people. We want to spare the lives of people in both countries. We do not wish to commit aggression against others.

With this outlook we see a brighter future. We see our souls purified, our men and women stronger, and our minds sharper than at any time in the past. This can only portend a future of happiness and peace for our community.

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IRAQ

#### TRADE MINISTER DISCLOSES ECONOMY'S PRIORITIES

London AL-TADAMUN in Arabic 24 Aug 85 pp 28-29

[Interview with Hasan 'Ali, minister of trade, by As'ad al-'Aqli: "Import Priorities for the War Effort and the 1986 Plan Aimed at Development Requirements"; date and place not specified]

[Text] Since early this year Iraqi ministries and agencies have been preparing their programs and budgets for 1986 in accordance with specific goals and priorities which have been set on the basis of the exigencies of the ongoing 5-year old war. In particular, these considerations include strengthening our economy and military capacity, while ensuring a better life for the Iraqi people and meeting their basic and essential requirements.

Within this context experts and specialists have been directing their efforts toward formulating the principles of a foreign trade plan for next year which will be consistent with the depth and capacity of Iraq's economic and trade relations with various groups of countries: the Arab countries, the developing countries and the developed countries. In addition, the benefits of supplementing domestically produced goods with imports will be utilized, and efforts will be made to increase the volume of non-petroleum Iraqi exports.

In a discussion with AL-TADAMUN, Mr Hasan 'Ali, Iraq's minister of trade and chairman of the permanent committee on preparing a foreign trade plan, said, "The 1986 foreign trade plan is the sixth to be prepared under the conditions of the war which has been forced on our country by the racist Iranian regime. Therefore, one of our main goals is to make radical changes to minimize the negative effects of this war of aggression through intelligent and efficient use of available foreign currency resources, and ensuring that they are directed toward development of the production sectors, and in particular the essential goods and services sectors."

In response to a question about the potential priorities that will be recognized by the 1986 foreign trade plan, he said the following:

"The directives aimed at modifying current goals and tasks in accordance with construction needs, solidifying the experiment in economic development, and meeting the requirements of the war effort constitute the main parameters which have been recognized by foreign trade plans during the war years. This

situation is being applied to the 1986 plan with respect to its goals and potential priorities. Some specific priorities can be defined as follows:

- "1. Importing goods and materials which contribute to the war effort.
- "2. Ensuring basic and essential consumer goods for the Iraqi people, and creating a stockpile of strategic goods, within safe limits, which will ensure a steady supply of goods and prevent any kind of shortage of any goods or materials.
- "3. Ensuring that the requirements of industrial and agricultural projects which play an important role in providing consumer goods for local consumption are completely satisfied, in order to strengthen the role of local industry in supplying necessary consumer goods. In addition, consideration will be given to importing goods to supplement locally manufactured items but which do not compete with them, in the public-socialist and mixed sectors, as well as in private enterprise.
- "4. Raising Iraq's export capacity by diversifying its exports, particularly with regard to domestic products which have gotten footholds in foreign markets.
- "5. Providing the raw materials for production in the export industries.
- "6. Strengthening the effective role of the public-socialist sector in domestic and foreign trade.
- "7. Supporting and improving the cooperative sector by allowing it to import industrial and consumer goods so that it can perform its designated role in economic and social development.
- "8. Utilizing the potential of private activity in the import and export of certain goods, and ensuring that the needs and raw materials of private agriculture and industry are provided."

[Question] What arrangements have been made to ensure the accuracy of the indicators in the 1986 plan?

[Answer] In light of information and the experiences of the experts and specialists in the permanent committee, several measures have been taken to devise the 1986 plan in accordance with principles, methods and examples which depend on accuracy in estimating demand and local requirements, and coordination among the import and local production plan, the general expense plan (the national budget) and the investment plan (investment expenses). This is accomplished by scheduling the preparation of these plans so that they are integrated and are guided by fixed principles and rules consistent with the philosophy of the revolution and the views of its leaders, and the precise and creative application of the directives of our fighting president, Saddam Husayn.

"The 1986 foreign trade plan will continue in the same main direction, particularly in providing the capital goods needed to implement the big development projects contained in law number 157 of 1973, and other projects scheduled in the investment plan for next year. The need for increased attention to quantitative estimates of anticipated imports has been taken into consideration, as has the need to make optimum use of the available port and transport facilities, and to find new alternatives in those areas. In particular, the expended production capacity that has been achieved during wartime makes it necessary to provide whatever is needed for production, including intermediate goods, to make full use of this capacity in order to strengthen our national economy.

"One of the most important directives adhered to by the plan may well be to work to improve and strengthen the role of the public-socialist business sector which is involved with importing many industrial and consumer goods. This sector will have a conspicuous role in the new plan by importing various goods for other agencies and sectors and making them available in the local market in view of the technical experience it has in the field of importing.

"It should also be noted that preparation of the foreign trade plan is expected to be completed in late October of this year. It will then be submitted to the higher agencies for approval."

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IRAQ

## FINANCIAL MANAGEMENT IN ECONOMIC ESTABLISHMENTS EMPHASIZED

Baghdad AL-THAWRAH in Arabic 16 Oct 85 p 4

[Article: "Financial Planning and Analysis in Economic Establishments"]

[Text] The state's economic establishments devote serious and practical attention to enriching their knowledge of economic theory by developing and absorbing their studies of the problems connected with planning and applied activities and by developing successful solutions to these problems.

The economic establishments have witnessed numerous important activities in the sphere of research and of preparing theoretical and applied studies for the most important specializations with which they are concerned in a manner that gives these establishments greater opportunities to execute and implement their sector's programs and plans most effectively.

Recently, a study was issued by the Planning Department of the Ministry of Trade under the title of "Financial Planning and Analysis in the Economic Establishments." The study was prepared by Nidal Rahim Mardud, an official of the financial section of the said department.

The study is introduced by a prologue which stresses that "the establishments have developed a need for various data in order that they may make new decisions on managing their various activities, whether pertaining to the training and development of the capabilities and expertise of an establishment's workers or to the market and to financing. This new situation has created a new pattern of managerial conduct in making the right decision pertaining to the financial aspect of the issue."

The researcher underlines the importance of dealing with the financial aspect of making any decision so as to discuss the aspects pertaining to determining the source of the necessary financing, to the dimensions of the revenues generated by the decision concerning new production, and to the direct implications of the decision to the financial aspect, such as increasing the number of workers and supervisors and the administrative and social services needed for the success of the economic process. The study also underlines the role performed by the financial manager, in cooperation with the economic planner, in planning the establishment's money needs and in investing the money soundly through the ideal distribution of this money within the establishment.



The study covers two subjects. The first deals with the role and applications of the science of financial management generally and in the socialist sector in particular. The researcher points out that this role seeks to achieve a number of objectives: maintaining liquidity, producing a satisfactory yield, and increasing the yield to the owners. In this respect, the study stresses that financial management has assumed its role and place as an independent science, with its characteristics and tasks in organizing and in bringing success to the plans and activities of the economic establishment by using this science's terminology in analyzing the financial decisions and planning and in watching the implementation of plans in the establishments. This is supported by the conclusions of another researcher who said: "The making of financial decisions is closely linked to the making of decisions in the other departments of an establishment, such as the production, marketing, and personnel departments. The other departments cannot define for the financial department the sphere of its activities. But all join in formulating the establishment's comprehensive plans while giving priority to the financial department whose decisions are characterized by permeating the other decisions in the establishment's activities."

When reviewing the role of the financial department in the socialist sector's establishments, the study offers the following analysis:

The Iraqi economic establishments have experienced numerous problems in the past, most of them attributable to the lack of a financial leadership capable of operating and managing the capital in its trust in integration with the general working team comprised of the representatives of the departments of production, sales, warehousing, and general administration. For a long time, this lack of a capable financial leadership caused the establishments to swirl in the maelstrom of a lack of cash flow, of high indebtedness to creditors, of high stocks, of high costs, and of low technical quality. This represents the common denominator in the economies of most of the developing countries as a result of their lack of expertise. "The countdown for eliminating this negative condition which prevailed in most of our economic establishments until recently has begun as a result of the serious attention devoted by the state's various agencies to enhancing the level of technical capability and management by providing the necessary equipment and requirements, in addition to the serious and concerted efforts to secure the most important element in the production process, namely capable human capital with its various specializations, since the success of the oil nationalization in June 1972. This success led to increasing the number of economic establishments, thus increasing the need for providing financial cadres at the level of the financial planner and analyst for the purpose of preparing and analyzing quarterly and annual financial statements so as to provide the indicators necessary for the success of the work of the higher executive managements."

Concluding, the study said: "The success of the activities of the socialist-sector establishments is definitely determined by the degree by which they achieve their planned objectives and by how sound their decisions are, in addition to the moral indicator embodied in the degree of awareness of those supervising the other jobs in the establishments of the importance of financial management and of cooperation in implementing all the financial decisions made

during a financial cycle, regardless of whether they are decisions with limited consequences or with strategic consequences."

The second subject includes a review of the functions of the science of financial management, namely financial planning, control, the procurement of funds, the investment of funds and management of assets, financial analysis, and at times the ability to deal with special problems, such as the evaluation and re-evaluation of the establishment. Here, the study points out that each of these tasks represents an independent specialization, even though they all flow into the same course. Making decisions, choosing the available alternatives, and coordinating the collection effort and the planning process are parts of the work "to define the objectives, to formulate the financial policies, to prepare the budgets, and, finally, to formulate the financial rules and regulations that transform the policies and budgets into precise details by establishing the steps for completing any financial activity according to a timetable."

The study also includes some financial appendices, percentages, and indicators acknowledged in the financial analysis studies as well as indicators of the outcome of the activities in the establishments of the socialist trade sector.

In light of the above, the importance of such studies becomes evident, not only for the economic establishments but also for the efforts of students and researchers concerned with financial analyses and planning affairs and for familiarizing them with the present and future situation of our economic establishments while they carry on with their ceaseless efforts to execute their economic programs within the framework of the implementation of the state's central plan and of the party's and revolution's general economic policy.

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ISRAEL

MAJOR GENERAL MAYMON DISCUSSES DESERTION PROBLEM

Tel Aviv BAMAHAHE in Hebrew 30 Oct 85 pp 12-13, 49

[Text] About 1 and a half years ago, on one April day in 1984, a rather unusual meeting took place in Rosh Ha'ayin. All 20 deserters of the small town (numbering only 13,000) gathered in one home in order to meet a man who promised to listen to them. They did not expect much. Many came rather reluctantly. There were those who were afraid that the man would be followed by the military police.

Maj Gen David Maymon did not bring the military police with him. He came alone, in uniform, as a military man and representative of the IDF, but also--and primarily--as a person, one who cares. With a lot of willingness to listen, help and try to solve problems. He made only one condition: those deserters who decided to turn themselves in would be tried. They had to know there was a price to pay.

Maymon and two women lieutenant colonels--from the Center for the Advancement of Special Groups, and from the Central Command--came to talk to the deserters. Maymon told them that he had no intention to force anyone to turn himself in. He came to listen, to talk, to advise, as a veteran and experienced officer. Anyone who was going to take up the offer on that occasion would in return have his problems attended to promptly.

At the beginning the atmosphere was cold, even hostile. Later the young men opened up and talked about everything. Maymon listened, took notes, responded. He agreed with them that those who decided to turn themselves in would report to Prison #4 the next morning. The next day, when he arrived there, he could not believe his eyes: 15 of the 20 deserters with whom he had talked were there. The jail commander assembled them all in a group of detainees.

Several hours later they had already been tried, most for disciplinary offenses. Some, the most problematic in the group, for whom it was not the first time to be AWOL, were tried in military court. For 2 days Maymon and the two women officers talked with all those somehow related to those cases. Slowly but surely they resolved all the problems--and thus paved for the deserters a new road, to be followed upon their release from prison.

This was a year and a half ago. From that time on Maymon has been devoting his time to dealing with deserters. He has been chief of the military appeals court for the past 2 years. He is 56, with a distinguished military career and rich experience. He is a multi-faceted man. He is known as a "man with a soul." When the chief personnel commander decided on the establishment of a special committee to study the phenomenon of desertion, it was clear that Maymon would head it.

"When I came to the appeals court and saw the files on desertion, I was shocked. I decided that in order to get to know the problem first hand, I would make it a point to sit on cases of desertion. This is indeed what I did. When I found out in the process that many of the deserters had difficult personal problems, it dawned on me that there may be something wrong with the system. This opinion was verified in conversations with many military lawyers. I started to take care of several deserters personally. I tried to talk to them, to convince them to report to the military police and, at the same time, I promised to deal with their problems promptly. Somewhat of a package deal. This is how I arrived at Rosh Ha'ayin."

#### The Sorry Cases, and the Sophisticated Ones

His ties with the town became closer. He met with the local council head, with youth advisers, with high school principals. Gradually he became well known in the town. The number of deserters there declined.

"The deserters I counseled can be divided into three groups. The sorry ones, who considered desertion their last resort, for lack of anyone to talk to. These are the ones with whom I have had the greatest success. The second group is that of the sophisticated deserters, who looked on desertion as a means to an end. I have had less success with them. The most difficult group is that of the criminals, the embittered ones, those for whom military service is considered punishment. They look at the situation in terms of "we and all of you." Naturally, I have had the most difficult time with them. They are the offenders and the instigators."

About 6 months after he started dealing with deserters, Maj General Maymon was appointed chairman of the committee to examine the phenomenon of desertion from compulsory service. In addition to him there were five colonels and a civilian working for the IDF an expert on the matter). They represented several commands who deal with deserters. In his opinion, the fact that all those dealing with the problem were thus represented was the first achievement. "When I first started dealing with the problem, I noticed immediately that too many offices were dealing with it--recruitment offices, the induction center, the Central Command, the Center for the Advancement of Special Groups, the military police, the courts. Each approached the problem from a different point of view. What was absent was a coordinating authority, the overall entity to consolidate all these systems and point to a common direction. The committee was effectively the first attempt where all these offices were convened under one roof in order to consider all aspects of the problem.



"In the course of 4 months we held approximately 15 discussions in which we studied the problem very thoroughly. We heard reports by the committee members, as well as testimony by commanders of large units, representing all the forces. These officers were also asked to voice their opinion on the phenomenon and its causes, and come up with suggestions for resolving it. The committee visited the induction center and investigated ways to deal with personal issues."

#### The Shock of Induction

The committee's report started with the following quotation from the Book of Proverbs: "He that walks uprightly, walks securely; but he that perverts his ways shall be found out." The report was handed to the chief personnel commander at the beginning of March. According to Maymon, the above quotation was the main theme for the committee. There is nothing to worry about with the "straight" people. Anyone who decides to be a "bad boy" will get into trouble. He even cites a very good example: "A young man, basically straight, who wanted to serve in the border patrol. His wish was not granted. He therefore deserted 2 weeks after induction. All attempts to explain to him that he cannot decide the IDF's priorities were to no avail. He insisted that his brother served in the border patrol, and he, too, wanted to serve there. For some reason I took it upon myself to try and arrange that, convinced that the young man had a very good potential. He turned himself in, was tried, served several days and then was transferred to the border patrol. Today he is a sergeant. He has had no problems. He intends to sign up for career service."

One of the disagreements in the Maymon committee pertained to the borderline cases, those of the lowest level acceptable to the IDF. Since many of the deserters are from this group, no one questions the assumption that if standards are raised, there will be a resultant drastic reduction in the number of deserters. The question is, is this in the IDF's interest. Does the IDF thus not miss one of its missions. Maymon thinks that this is the case. "I am an ardent supporter of the educational and counseling activities of the IDF, and therefore I also fought hard to remove this item from the agenda. Raising the level of disadvantaged young men and training them for military service is, in my opinion, one of our goals and duties. Most of those in the lower groups have a good potential and the desire to serve, even in insignificant jobs. The IDF considers drivers, guards and cooks to be very important and useful."

At the same time it was decided that there would be more careful selection at the recruitment offices so as to not draft young men who lack any willingness and/or basic capacity to serve. The criteria would be based on data obtained from files of those who have been discharged under special circumstances in the past 2 years. "Those young men whom we will not draft are the ones who have no chance to remain in the military environment for 3 whole years. They not only damage norms of discipline in the army and stand the risk of dragging other soldiers down with them, they also cause the waste of expensive resources: money, manpower and time. All to no avail. If there is just a slight doubt as to someone's ability to serve, we will draft him. We cannot afford to lose anyone who has any potential."

By the way, the problem of many young men in that lower group is very often ignorance, lack of direction and preparation before recruitment. Thus, points out Maymon, for them the shock of being drafted is particularly acute. The committee therefore recommended that the IDF intensify the preparation of those about to be drafted, especially in towns with a high desertion rate. Among others these towns will be adopted by the GADNA (para-military youth) and other military units.

#### Red Tape Blamed for Desertion

Moreover, hard as it may be to believe, there are some among the problematic youths living in these towns who are fit for command jobs and for officers' school. Maj General Maymon tells that on one of his visits in Prison #4 he talked to a group of 100 young men about desertion. He asked them who of them thought he could be an officer. At first there were chuckles and embarrassed laughs. Maymon stood there, almost ashamed, as he recalls, and gave the group a thorough lecture, in the most serious tone. When he repeated the question about 15 of the 100 deserters raised their hands. Maymon believes that 5, perhaps as many as 10, could eventually become officers.

"We have a hard time locating them in their home towns because of the serious desertion problem. If we succeed, the benefit will be two-fold. From the IDF's point of view, they will become objects for envy and emulation by young men about to be drafted. From the local point of view, they will reduce the crime rate and may end up their towns' leaders."

In many cases young men of this lowest group are drafted as usual. They are sent to units, are expelled, and then arrive at the Center for the Advancement of Special Groups. The Maymon committee recommended that these youths, who will assumably end up at the Center sometime during their military career, be identified to begin with. They will then be sent to the Center at the beginning of their service, so they can benefit immediately from counseling and help.

The other important subject, in addition to the pre-military activity, is the approach by commanders. "Commanders play a dominant role in the phenomenon of desertion," says Maymon. "They have good and effective tools which may bring about its reduction, provided they know how to use them. They have a keen awareness of the responsibility they have in dealing with individual problems and they work continuously to reduce desertion. There are, unfortunately, those who are not as aware of it.

"I had a case of a young man who sat at home for close to a year because of negligence in his unit. It all started when he had a dental problem which required the removal of all his teeth and the placement of dentures. He received a leave of absence for 6 months so he could receive the necessary treatment. At the end of that period, when treatment had not yet been completed, he went to his unit to report his condition. To his surprise, the master sergeant and the clerk gave him the red tape treatment. The matter thus dragged on for weeks. Every time he showed up to explain what had happened he was turned away.

"One day he was riding with the deputy commander of his unit. He told him the whole story and then was told: "Really, this is not my problem. Go to the master sergeant." The young man was shocked. Several days later he was declared AWOL and was removed from his unit's roster. No one went to look for him. This is how he came to me.

"When I looked at him, I immediately realized his predicament. Yet, I found it difficult to believe him. The story was just too unreal. I requested those involved to look into the matter. It turned out that the story was all true. An investigating committee was established, people were charged. The young man was not charged. He returned to service and is soon to complete his service and will be honorably discharged."

The Maymon committee concluded that officers have to be more involved. Says Maymon: "Officers have a key role in early identification of potential deserters and in thoroughly dealing with their problems. A soldier who can talk to his commander and knows that his problems are attended to, even if they are not resolved, will think twice before deserting. Officers also have to be involved in returning AWOL soldiers and trying them. The committee decided that the period when a missing soldier is looked for by his unit would be extended from 2 weeks to a whole month. The military police is to receive the case only after 31 days of absence. If it is decided to charge the man, he will be tried by his own commander or a superior officer in his unit--officers who are likely to know him, his past, his problems and his history in the IDF. If it is decided to try him in military court, it is recommended that his commander, or a representative of his commander, give testimony as to the soldier's character and behavior."

It is not only officers who are guilty of creating feelings of frustration and bitterness among potential deserters. The whole military system has a hand in this, especially those who are supposed to do the counseling. Supposed, because many times they do not do it. Suffice it for a problematic soldier to request to serve close to his home. If he has no response--sometimes with the intention of discouraging him--this will induce him to walk off. It is interesting to note that this is the most common request with these soldiers (even if they have a "high profile"), in spite of the fact that they come from broken homes. "This is one thing that I fail to understand," stresses Maymon. "We provide food, shelter, transportation, good conditions. What do they have in their homes?! Why do they need the home?! In my opinion this can only stem from a feeling of alienation and insecurity that they feel in their unit. At home they go back to their friends."

In order to reduce the system's shortcomings as much as possible the Maymon committee stated that the military offices charged with dealing with personal problems had to shorten the process and make it more efficient. Recruitment offices will be required to complete their phase of looking into candidates' problem before these young men are drafted. Problems which cannot be resolved will then be passed on to the training units. These will be required to keep the new recruit, and possibly his family, abreast of what is being done about his particular problem. Each unit will adopt an open door policy which will enable any soldier to go to the unit's commander and discuss anything. A

soldier under compulsory service who receives no answer to a request within 45 days will be entitled to go directly to the Central Command and receive an immediate answer. "We will no longer have a situation where requests are being dragged on for months," stresses Maymon. "Going directly to the Central Command will only be allowed in case the response is delayed for over 45 days, not in cases of an unfavorable response or some other response which does not exactly satisfy the soldier."

The committee also dealt with the issue of punishment, although it did not arrive at any revolutionary conclusions. Says Maymon, "Prison is usually not the right answer for the "easy" cases. It even tends to aggravate the problem, not because of the conditions, but because of the inevitable encounter with inveterate criminals and their bad influence. We therefore recommended that first offenders receive some punishment within regular units, as has been the practice for some time in ADAM in the center of the country and in the Paratrooper School. Prisoners there, mostly deserters, conduct military and educational activities and benefit from the openness and understanding of the staff. The ADAM center successfully rehabilitated 80 percent of those it treated in the past 2 years, i.e., there were no repeated desertions. The Paratrooper School started this approach 6 months ago. They are currently on their second AWOL group."

There are few deserters in Rosh Ha'ayin today. "Any deserter with a difficult problem knows that I am the address to turn to," says Maymon. "He calls me at home or in the office, sometimes even shows up in person. If everything has indeed been done in his case, I try to help." Yet, he admits, there were cases where he was wrong to step in. Yes, there are many disappointments. "Many a time you think you have managed to return the youth to the right way and then you find out that this is not the case. He deserts again. Anyone who disappoints me will never see me again."

He recalls a case of a young man from Rosh Ha'ayin who was about to turn himself in, on condition that he not be jailed. Maymon could not agree. He told the soldier, almost promised him, that if he was caught he would pay the full price. The young man not only refused to change his terms, he even incited youths and soldiers in his town. After a year of being AWOL he was caught, tried, and sentenced to 1 year in prison. "He immediately started sending me letters and his family pleaded with me to intercede on his behalf. I did not respond. An unthankful soldier like this deserves to be punished. I hope he serves his full year in jail with no early release. People like him ought to understand that anyone who tries to fight the system gets punished."

Maymon is now responsible for some additional towns in the center part of the country, among them Or 'Aqiva, where he was sent by the chief of staff. There, too, the number of deserters came down drastically. His personal experience is what is most responsible for the committee's decision that senior officers adopt, personally, AWOL soldiers or even whole problematic neighborhoods. This way the soldiers get a feeling of belonging to the IDF and they have people to identify with. Is it possible that they can identify themselves with high ranking officers? Is it that easy to bridge the age, education and world outlook gaps? "Perhaps it is not easy, but entirely possible." He says, "The relations the officers are to create have to be



based on mutual trust and true friendship. They will have to talk to the deserters in their own language, to understand their unique mentality, their way of thinking. They will have to become, what amounts to, psychologists. They will have to take part, identify, help. It is also important that they clarify that they will not go out of their way to do anything for the deserters. The deserters are to help themselves."

In June of this year, 3 months after the chief personnel commander received the report, a special workshop on the problem was held. Maj General Yaron congratulated the committee, thanked everyone for the work they had done and said that he accepted their recommendations. He appointed his deputy, Brig Gen Beni Dekel, to head a steering committee that will set the overall IDF policy on the issue of desertion, will guide all those who deal with the problem, and will verify that the Maymon committee recommendations are implemented.

At the beginning of August, Brig General Dekel appointed four subcommittees to implement the recommendations. The subcommittees have recently started to work. It is promised that results will become apparent in coming months. Perhaps, so Maj General Maymon hopes, in the latter half of next year, there will be fewer IDF deserters.

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## ISRAEL

## MILITARY BUDGET CUTBACKS LEAD TO ENERGY, OTHER SAVINGS

Tel Aviv BITA'ON HEYL HA'AVIR in Hebrew Jan 85 pp 32, 78

[Text] The Air Force, just like the rest of the IDF, gave up meat once a week. The army will continue to march, even with a somewhat empty stomach. The problem is that the cutbacks did not just trim the fat. For lack of choice some flesh also had to be cut.

Fuel has always been, and remains, an expensive--and necessary--commodity for the functioning of the force. Various and original ways to conserve fuel have been devised in different bases.

"We have established a transportation center," says Colonel T., commander of the administrative squadron in Hatzor. "Any vehicle leaving the base has to report to the center, where other tasks are assigned to it.

"In the past fuel that was left in planes after flights was simply dumped. Today it is drained to an underground reservoir and recycled. The monthly fuel consumption of each squadron is published, which serves as a restraining and deterring factor."

"In Ramon the fuel remaining in the planes is used for home heating," says the commander, Colonel M. "The benefit is double: not one drop of fuel is wasted and on cold winter evenings the rooms are warm."

In Palmahim, the left over fuel is used for exercises in fire fighting. No use has yet been found for recycled smoke...

"In 'Ovda one can see officers on scooters or even on bicycles. Drivers now have Motorola intercoms for more efficient communications. The result--a substantial saving in fuel consumption," says Colonel H., commander of the base.

#### A Package of Savings

Cutbacks have been implemented not only in fuel. Reporters of BITA'ON HEYL HA'AVIR toured several Air Force bases to see at first hand how the challenge of cutbacks is being met.

In some bases there are now special committees, assigned to find ways for efficiency and saving. The committees are made up of representatives of all the squadrons. Sometimes they are augmented by reservists, industrial engineers and administrators in their civilian life. Any soldier may propose ideas for savings and the response is very enthusiastic. All that remains to be done is to convert these methods to a way of life.

"We called for a contest to save electricity," says Colonel T. of Hatzor enthusiastically. "People were assigned to turn off those appliances which were not being used."

In Ramon, built by the Americans, the electric systems are the most modern. "At the same time," says Colonel M., commander of the administrative squadron, "We reduced lighting by 30 percent and we are about to reduce lighting hours to a minimum just so as to not to have an impact on security."

In Palmahim the possibility of longer periods between checking planes is being examined. Explains Colonel D., commander of the maintenance squadron: "If we can only implement this step without impacting on security and quality, we may bring about a substantial and meaningful saving."

We have already stopped painting complete planes. We only paint those parts which are replaced. Moreover, when helicopters or other equipment is washed, we use a controlled sprayer to reduce the amount of water consumed. Iron and other scrap parts are collected and whenever possible, recycled."

The Air Force is also meticulous about savings in office equipment. In Ramat-David, for example, a 20 percent saving has been realized. The commander has issued specific instructions so they do not find themselves without the necessary supplies. It was decided to recycle envelopes. Even pins and paper clips are not thrown out. They are carefully removed, straightened out and reused.

#### Tightening Belts

The era of cutbacks is felt in kitchens and dining rooms as well. "Many appliances are retired, because of lack of budget to repair them," said Lt Bo'az, commander of the Ramat-David kitchen. "What was at one time done by machine is now done by hand, and rather slowly, at that."

In 'Ovda one of the dining rooms has been closed altogether. In Ramon the commander of the administrative squadron says: "The cheese is brought in in Brinks trucks..." But everyone admits that no one goes hungry.

In Nevatim that challenge of manpower shortage has been met. Says Colonel A., commander of the administrative squadron: "Soldiers fill in, in addition to their regular assignments. Everyone chips in. All told, any soldier on base who does not do what needs to be done, is pure waste. We refer to the direct contribution of any pair of hands. A clear cut example is the abolishment of certain commanding positions such as deputy commander, or officers in charge

of certain responsibilities. We have also consolidated several duties under one commander."

One of the main problems for Ramon was, and is, its isolation from population centers and entertainment facilities. Cutbacks in budget require Colonel M. to reduce the number of artists and entertainers and thus reduce activity after working hours. "Tours in the country are about to be cut out altogether. We will build only two instead of the originally planned three clubs. The Gashash Haniver troupe will not be brought here even if we want them..."

Colonel H., commander of the administrative squadron in 'Ovda, describes it as "an atmosphere of savings" in his base. "Along with activities aimed at greater efficiency and cutbacks, we have also started a public relations campaign. We placed signs calling on soldiers to save. In base functions, taking place in the movie theater, we project slides with slogans encouraging savings. Our success in preventing waste depends on the response of our soldiers. Saving is a national duty. Each and every soldier, if he wants to, can affect considerable savings. Every small step brings about considerable savings."

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3 January 1986

## ISRAEL

## INTERVIEW WITH TANK CORPS COMMANDER BRIG GEN 'AMOS KATZ

Tel Aviv BAMAHAHE in Hebrew 30 Oct 85 pp 33-35

[Interview with 'Amos Katz, tank corps commander, by 'Aran Shenker; date and place not specified]

[Text] [Question] Brig General Katz, this is the first year that the Tank Corps is no longer in Lebanon, after 3 years of intensive activity in the north. How would you sum up the Lebanon period and what is the thrust of the Tank Corps today?

[Answer] There is no doubt that the changing situation in the north is helping us prepare ourselves for our main mission. During our stay in Lebanon we were forced to neglect partially preparations for what the Tank Corps is expected to do in an all out war. But all told, even in Lebanon, we managed to train young tank personnel, we continued to train, we went on putting new Merkava tanks and sophisticated weapon systems into service.

On the positive side, we learned a lot from the operational experience in Lebanon regarding defense against small units in enemy territory. We learned our lessons from fighting in a mountainous area; the soldiers acquired battlefield experience.

In the last year the Tank Corps has acquired considerable resources. Looking back there has never been a period of more intensive acquisition of new tanks and sophisticated weapon systems as the one we experienced recently.

Following improvements introduced in recent years in the various systems, it is my opinion that the whole training program ought to be revamped.

[Question] In the Lebanon War and following it we heard a lot about Air Force feats, the Navy, the successful battles, commando activities, and other raids by paratroopers. It seems as if the tanks have almost been forgotten. What, in your opinion, is the reason for that?

[Answer] In the course of the Lebanon War the Tank Corps performed exceptionally well. But our main mission is still in an all out war, where our weight can be best felt. In the Lebanon War we had quite a few successful battles in the Bika' Valley and at the entrances to Beirut. During the war

quite a few enemy tanks were destroyed. An examination conducted on captured tanks showed clearly that our soldiers performed well and in most cases our shells penetrated the enemy's tanks.

At the same time there were lessons to be learned and some problems were uncovered. We are not trying to cover them up. Quite the contrary. We are training our new soldiers with these mistakes in mind.

In addition to learning warfare in a mountainous area, we have also learned to fight amidst a hostile population and at night.

[Question] As you mentioned, the Tank Corps is to be the IDF's main thrust in land war. Also, as is well known, Israel cannot withstand a deep invasion as happened during the Yom Kippur War. Our tactic is to move the war to enemy territory. Are you sure that the Tank Corps can be depended upon in an all out war in which all Arab countries, including Iraq and Iran, call for Jihad (holy war) against us?

[Answer] The process of the enemy's increasing strength is worrying us quite a bit. We are watching the enemy improve quantitatively and qualitatively, with all of the most modern technology at their disposal. Recently the Syrians have started equipping their army with the latest word in Soviet tanks. These are the improved T-72 tanks, which are better than anything we have seen so far. Our other neighbors are equipping themselves in a similar fashion with M-3's and M-60's, considered the first line tanks of the nineties.

We still maintain superiority over our enemies even in the tank arena, including technological superiority. I am not sure we will be able to maintain this edge in the long range. It would require tremendous national resources. We therefore must invest in the human element. We have to do our utmost to increase professionalism, as it is our only chance. In addition to the equipment and the system, training, professional skill and motivation of the soldiers play a major role.

Even with the best tank and the most expensive shell, if an officer is not in a good position, if he is exposed, he can suffer a devastating hit. This is true for how he functions and how accurate he is with his own shells. We have to maintain not only the technological gap, but also the human superiority.

We also have to remember that although our enemy has very sophisticated tanks, none of them are produced in their own countries. We are the only ones in the Middle East who, as customers, determined the exact specifications. The tanks that are produced by us are considered among the best in the world. This, too, may not necessarily continue into the future.

[Question] Nevertheless, to be quite frank, do you think that our tanks can withstand the increasing threat?

[Answer] I believe that the IDF and the Tank Corps can withstand an all out attack. It is true that we are not increasing our tank units as much as we would like to, but the system as a whole is well geared to face any threat.

There are those who claim that in the next war there will not be much of a role for the Tank Corps, since, as you estimate it, tanks will not be the decisive force in a non-conventional war.

The Tank Corps will have a decisive role in the next war. I hope that the threat of a non-conventional war is still far from us. Moreover, even in a nuclear-chemical war the tank is considered the best protected. Modern tanks have very high survivability in a chemical war. They are all equipped so as to enable the crew to continue functioning even in a contaminated area. The advantage of tanks is their ability to spread out over a wide area and to move out of a contaminated area fast.

As for a nuclear attack, there is no chance for any gear to survive a direct hit. But this is not what we are most concerned about. The fear is from radioactive fallout following a nuclear blast, and the progress of the "first effect." The armor of modern tanks prevents penetration of radiation and increases the chances of the crew to survive by at least tenfold, compared with many other units.

The Lebanon War only strengthened the claim that the Tank Corps is the the main thrust of the IDF. A thorough study proved beyond any shadow of a doubt that most of the shells that hit the enemy tanks came from our tanks, not from helicopters, not from artillery and not from land based anti-tank weapons. There is no doubt that the Tank Corps still has a major role to play. Since the establishment of the state, 20,000 tanks participated in wars, and about a quarter of them were hit. About 4,000 tanks were hit, on both sides, in all the wars.

[Question] What will the tank of the year 2000 look like?

[Answer] It is hard to predict. Clearly the tank of the future will be better protected and will have better firing power. Even today the tank weapon system is not much different from that of a plane or a boat.

If you ask for some science fiction type speculations, it may be that in the year 2000 we will have flying tanks, tanks which can at least hover. A system such as this, has clear advantages over any other system that I can think of.

[Question] When will the new Merkava model be introduced?

[Answer] The IDF is continually developing future Merkava tanks. Even the defense minister vowed not to affect development. The Tank Corps will continue to equip itself with improved Merkava tanks and newer models.

[Question] Tank soldiers are considered the best protected, all surrounded by steel and hard armor. Yet, they are also a clear target. A single shell may cause a tank to catch fire with the crew burnt in agony. How do you reconcile this seeming contradiction?

[Answer] I feel safest in a tank. Certainly when you compare it to a paratroop attack or artillery shelling. As to anti-tank weapons, first, not

every shell hits. Those that do hit do not necessarily penetrate. And not every shell causes burns.

The Lebanon War proved this. The percentage of casualties in tanks decreased considerably, both in terms of seriousness and also in terms of its extent. This is due to more modern tanks, which are better protected, with modern, automatic fire extinguishing equipment and the specific utilization of fire resistant materials for uniforms and upholstery, and meticulous attention to the type and construction of the equipment on board.

I would like to stress that the Merkava is among the best protected tanks in the world.

Statistical data show that our casualty rate has dropped by 50 percent compared with the Yom Kippur War.

One ought to remember that during the Lebanon War there were no fatalities in Merkava tanks and that injuries were light. One ought to understand the risk taken, because when one goes to war, the possibility of being injured cannot be overlooked, regardless of where one serves. We are doing our best to improve the survivability of the tank and its crew.

[Question] Will there be a day when the Tank Corps will be a volunteer unit?

[Answer] I estimate that this is still a dream. The Tank Corps receives 80 percent of those who are found fit and who want to serve there. But we need the remaining 20 percent, as well. Our soldiers are highly motivated and we do not have a problem of soldiers refusing to go to officers' school.

Yet, there is no doubt that there is room for improvement. Today the Tank Corps is a technological challenge for the soldiers, because the outcome on the battlefield is in their hands.

[Question] In conclusion, soon the Tank Corps will celebrate its second anniversary under the combined field command. Can you already tell the advantages of this new organization?

[Answer] I think that it is still too early to draw any conclusions. The contribution has to be judged as time goes by. True, the child is here and is already walking. As yet I fail to see what it does for the Tank Corps, which may not be the case for the other forces. The Tank Corps is the backbone of the field command. The other forces are smaller, but to date, equal in weight.

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ISRAEL

RUSSIAN AIR DEFENSE GUN IN INVENTORY

Tel Aviv BITA'ON HEYL HA'AVIR in Hebrew Jan 85 pp 30-31

[Text] Scores of eyes followed the drone tensely. For 3 weeks the reserve's anti-aircraft personnel had undergone training with the 23 mm gun. This was their first opportunity to test the results of the difficult training and the time they spent to learn how to operate the gun.

They were all determined to prove the superiority of the gun. They were all waiting anxiously behind the battery of the anti-aircraft guns, watching for the drone, waiting for the order to fire. It was obvious that these reservists were making quite an effort at concentrating. There was quite a commotion even before the order to fire. One soldier adjusted the movement of the gun to that of the drone, its direction and range. Another turned the view to aim it at the target. Others waited tensely.

The order was given and the man in charge depressed the firing pedal with his foot. The gun retorted and a yellow orange flame shot upwards. Two hot rounds were spit out of the gun in the direction of the drone. All rounds were concentrated on the target. Two reservists stood by the gun and fed it with shells which they removed from a case. The odor of gunpowder was in the air. There was a lot of commotion but all activity was very well coordinated. Everyone knew his job and tried to perform it as well as can be.

When the drone was downed it was easy to see the direct hits. Its right wing was full of holes, its left wing was broken. The efforts were justified. The gun overcame the drone.

The 23 mm guns are part of the Yom Kippur War booty. Israeli forces found them abandoned with large amounts of ammunition. Apparently they could not be moved fast enough, since towing equipment is necessary. Thus the enemy had to retreat leaving the guns behind.

Simplicity Has Its Advantages

Some of the guns were taken after the war to the anti-aircraft school where they and their operational methods were studied. Cannon crews, officers and

instructors started writing about this gun and formulated methods to combat this Russian equipment.

The 23 mm gun turned out to be very effective against aircraft, too. Many claim that this is the best towable gun that the Israeli Air Force now possesses. It is a compact gun, highly mobile. Its towing unit is of variable height and therefore it can be towed by just about any towing vehicle. It is easy to install in the field. All that needs to be done is to tow it to where it is needed, pull the handle and the wheels fold and go up.

The gun can shoot, flawlessly, 2,000 shells per minute. Its range is quite impressive for its size: up to 1,500 m. Another advantage is that it is mechanical, it has no electronic systems or radar. It is precisely this simplicity and the absence of sophisticated systems which is its greatest advantage: There is no way to misfire it. When the soldiers and the gun function properly, there is nothing to prevent the shells from hitting the target.

As a result of the high firing rate and its relatively small caliber, there are a lot of sparks while it is firing. When several different guns are fired at the same time attention is immediately drawn to this gun. It is impossible to ignore the huge flame emanating from the 23 mm gun next to the insignificant smoke clouds of the 20 mm guns or the Vulcans.

The reservists who man this gun come from different walks of life. Among them are an engineer, a computer programmer, a roof contractor and an El-Al employee. They all share the enthusiasm for the gun and the praises they have for it.

#### Reservists Love The Gun

The commander, Colonel A is pleased with the reservists. "Some of these men were transferred from a different gun, 37 mm. Others are new to anti-aircraft and the whole subject is foreign to them. The training they receive includes intensive study of the gun and live ammunition exercises." Colonel A adds that "instruction is performed by a team some of whose members are in regular service, the others in the reserves."

The instructors themselves used to operate the Vulcans or Chaparrals, and have themselves been transferred to operate this Russian weapon. Over time the instructors have learned to like this gun and prefer it over the original ones they used to work with.

The commander of the exercise points out the gun's great advantages: "Its greatest advantage is its simplicity. All systems are easy to operate. Its easy assembly makes it very efficient in the battleground. For the reservists, who operated older, inefficient guns for more than 10 years, the transfer to this gun is rather refreshing."

PFC Niv Lavi was transferred from instructing on Chaparral missiles to instructing on the 23 mm gun. Niv is quite pleased with the transfer: "First of all, I would like to point out that I prefer to work with reservists over

working in boot camp. Secondly, I like this gun. It is easy and simple to operate, it has no brakes and therefore is easier to operate."

Shimshon Weissman, a reservist, works for El-Al. In the past he was the commander of a 37 mm gun crew. In response to the question of how he feels having been transferred to this unit, he says: "I am very pleased. The other gun was not too reliable. In contrast, this gun is quite impressive. It has a mean speed and other advantages because it is small and compact. You only need four men to tow it."

Shlomo Becher, the roof contractor, is also pleased with the transfer: "I like it better. Everyone takes it more seriously. It is quite an experience to take part in a live ammunition exercise with this gun. I am willing to invest more effort in this gun."

The more training experience they acquire, the more exercises they participate in, the more they operate it, the more these reservists are learning to know this, their new "baby," and appreciate its superiority. Undoubtedly, if and when necessary, they will be able to put it to good use and prevent enemy planes from attacking.

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## ISRAEL

## FINANCING FOR LAVI AIRCRAFT DISCUSSED

Tel Aviv BITA'ON HEYL HA'AVIR in Hebrew Jan 85 pp 12-14

[Article by Yaqir Elqariv and Tzvi Gutman]

[Text] "The most difficult question asked of me today regarding the Lavi is how much it will cost. It is very difficult to answer this question today and the reasons are many and complex. A rough estimate is \$14-15 million fly away cost. Although, as I mentioned, this is a rough estimate, I am convinced that the Lavi will end up being the cheapest plane that Israel can buy in the nineties." This statement was made by the general manager of [Israel] Aircraft Industry, Shalom Ari'av, in a special interview with BITA'ON HEYL HA'AVIR.

Aircraft Industry has been gearing for several months for the production of a Lavi prototype. Design of the tools and instruments for production is in its last phase. Many workers of the production division, who are working on other projects, have been transferred to the Lavi project. The electronics division is working on both development and the pre-production phase of the Lavi. Aircraft Industry is not planning on acquiring additional equipment, such as instruments or heavy mechanical tools specifically, for this project and would prefer subcontracting some of the work.

As detailed by Shalom Ari'av: "As to the engine, at this stage we are still considering it equipment that the government will supply. Meno'ey Beyt Shemesh is the main contractor and according to the contracts which have been signed, we, as subcontractors to Meno'cy Beyt Shemesh, will produce only 30 percent of the engine. As soon as we receive the green light we will start producing those parts which are our responsibility."

Aircraft Industry, as a company which plans its steps several years in advance, hopes to produce parts or systems for the Lavi as soon as the time is right. The firm is depending on the experience acquired during the production of the Kfir. It is well known that in selling the Kfir Israel encountered many obstacles, not because of the quality of the Kfir, but because of all kinds of political problems. In spite of these problems Aircraft Industry, as well as Israeli industry as a whole, managed to export parts, systems and complete Kfir planes in an amount approaching \$1 billion. This example, Aircraft Industry is confident, can be projected to what is likely to happen to the Lavi.



## An In Depth Examination

"It is difficult for me to say that we are actually gearing for a situation where American financing will cease at the end of the development phase. I think that Israel as a whole and the Air Force in particular will manage to surmount this problem. After all, if financing ceases, so will the project and the Air Force will have to find a substitute for the nineties and the following decade. The money needed for the substitute could be used for continuing the project and bringing it to a successful conclusion.

"There is a lot of talk in the media about the process of arriving at decisions related to the Lavi. In my opinion there has never been any project in Israel's history which has been so carefully and thoroughly scrutinized as has the Lavi project. The subject was examined by two governments, four defense ministers, scores of Knesset committees, ministers, economists and industrialists. Now all of a sudden there is an uproar that the process was hasty and not thorough...I wish every project in this country received the scrutiny given to the Lavi.

"We have reached an absurd situation where one group attacks us saying that the plane is too small, while another group claims that it is too big. Aircraft Industry has only one authority which it considers qualified to voice an opinion regarding the Lavi--the Air Force. Only the Air Force's opinion counts on technical issues. After all the Air Force is the customer. Its requirements determine the plane's design. The Air Force is the one to pay for and use it.

"At the same time Aircraft Industry has not been a silent partner in these decisions. The plane was designed in cooperation with our engineers, who contributed their best skills and experience. I would only like to stress that ultimately the decision is up to the Air Force. It has the last word and from our point of view the customer is always right."

### The Proof--When The Plane Takes Off

"One of the greatest public relations problems of Aircraft Industry stems from the security requirements associated with the project. As is to be expected, it is precisely those exciting and innovative parts which are still considered sensitive. Even Air Force pilots are not allowed to know everything about the Lavi and therefore it is difficult to explain to them and to others why this plane will indeed be the best of its kind. When will they be convinced? When the plane takes off and proves that it is indeed what we wanted it to be," says Ari'av.

He stresses: "In Israel, there are no alternative projects. If it is discontinued I would expect a massive exodus of engineers from the country. There are no similar challenges here for them. But it is not only they who are important. Aircraft Industry is not in the habit of developing a product and then getting the production done in the Far East, as is the practice in other industries. After developing a product, we also produce it. Thousands of professionals are employed by us and the jobs of these people are of no less concern to us."

The job of examining and developing the plane was supervised by Moshe Blumkin from its inception. Blumkin is deputy general manager and manager of the engineering division of Aircraft Industries. In a special interview with BITA'ON HEYL HA'AVIR he recently disclosed that before the decision on the Lavi, in its final form, was arrived at, negotiations were held with American firms--some of which do extensive business in Israel--regarding the possibility of acquiring an existing plane as a base for modification. "The responses were completely negative," stresses Blumkin. "We tried again and again, we proposed all kinds of combinations -- but we were turned down. Therefore all talk about a base plane is completely idle."

Adds Blumkin: "Even if we had such an option, it would have resulted in substantially inferior performance of the plane as a weapons system."

In his estimate the cost of the weapons systems alone is about one third of the operational plane. This is but another detail which proves that no economic shortcuts are possible through modification of a foreign plane (which has a price tag of its own, as is well known...).

On the other hand, some development work for the Lavi was performed abroad. Blumkin explains the criteria: "The approach to the subject of subcontractors was rational and economic. We maintained that the plane has to realize a maximum return at the lowest cost. It was clear to us that all that knowhow and technology, which is not sensitive, should be exploited. Our approach was businesslike. To date we have signed 111 agreements with overseas subcontractors, whenever it was feasible to do so. We did not want to re-invent the wheel. Even large and well established firms do that."

We chose to concentrate our own development efforts in specific technological or sensitive areas, which give the plane its relative advantage as a fighting system," stress Mr Blumkin.

Aircraft Industries has demonstrated independence even in the aerodynamics area, which dictates the shape of the plane: "We have all the aerodynamic knowledge and tools for the development of any flying shape," promises Blumkin. Among the tools which he enumerates are a computerized aerodynamic system, a computer center and two air tunnels--sub-sonic and super-sonic--fully equipped and computerized.

#### Formula For Success -- Delta Wing

"Aerodynamic independence" has given rise to the Lavi in its present shape, as was recently published. The main considerations determining the final shape are discussed by Blumkin: "The delta wing and its characteristics are well known to Aircraft Industry. This shape, in addition to the canard foreplanes of the Kfir, was carefully developed by us. It improved the maximum efficiency by approximately 50 percent. It was clear to us that the Delta-canard shape has a further potential for the future and it has several advantages--if it is added to a plane with a non-stable navigation system.

"In the early seventies electronics had not yet reached the miniaturization and reliability which enables the control of a non-stable navigation systems

with computers. The development of electronics in the late seventies and early eighties made this possible. This determined the present form."

Actually, according to Mr Blumkin, Aircraft Industry was not unique with this solution. Great Britain, France, Germany, and Sweden also opted for the Delta-canard shape with the electronically controlled non-stable navigation system.

As to those future European planes, Blumkin explains why choosing one of them as a substitute for the Lavi is an unrealistic option: "The Swedish Jas-39 has a VOLVO/GE RM12 engine, which is based on the F-404 17,000 lb engine. We know exactly what can be accomplished with this engine. We, too, had a short "affair" with it. The plane is not suitable for the Israeli Air Force and for our conditions. Its performance also falls short of that of the Lavi.

"The ACX, the future Dassault plane, is a skeleton without any systems, without avionics and without all the other systems which are at the heart of the Lavi. For the time being it is planned with two F-404 engines and therefore is also not suitable for our Air Force.

"In my opinion the real competitors for the Lavi, as enemies, will be the American planes that our neighbors will acquire. The Eastern planes are of less concern to me. Quantity-wise, of course, they pose a real threat, but qualitatively the gap in favor of the American planes is still quite considerable. Thus the Lavi will have to compete with the F-15 and the F-16. For these planes it is an outstanding answer."

#### Direct Force Control

Mr Blumkin explains that a non-stable skeleton is faster. To demonstrate this characteristics he proposes...a broom: when it hangs from a string it tries to resume a position of non-movement. At this stage moving it requires an effort and its movements are jerky. But if the broom were to be placed on one's finger, one would have to chase its acrobatic movement. If a computer replaces the chase-tired finger, we have an equivalent for navigating the Lavi.

The canards made it possible to forego some of the vertical controls in the Lavi. Blumkin explains the canards' advantages: "They create a positive ascent, whereas tail "platforms" are designed to create a negative ascent. If the canards are close to the wings--as they are in the Kfir and the Lavi--they improve air flow above the wings at high attack angles.

The Lavi has a certain potential for Direct Force Control, i.e., the ability to go up and down without horizontal movement (similar to helicopters)--but there is no intention to exploit this potential at this stage. In any event, it will require an additional navigation control for the forward axis.

#### One and Two Seaters

There are six prototypes in various stages of development. The first prototype is scheduled for a test flight in the first half of 1986. The first

two prototypes are to test the Lavi as a flying machine. The remaining four prototypes will test it as a weapons system.

Some of the prototypes will be two-seaters. These will be primarily for training, but they will also have an operational value.

The test plan will continue until delivery of the first operational plane, toward 1989-1990.

Preparations for production of operational planes are already underway. Contracts with suppliers and subcontractors have already been signed. The construction of the tools and the assembly systems has already started. Even the logistic systems are already being put together.

The widespread use of assembled parts has substantially reduced the assembly phases--especially those for the metal parts. Therefore the number of parts for the Lavi is about half of what it was for the Kfir. In contrast to the simplicity in structure, the electronic systems are extremely complex.

Attention was given to the construction of a maintenance complex. This will increase the Lavi's usefulness and will make it cheaper. This was accomplished by adding self checking components to each box, the development of external diagnostic computerized systems, and the collection of diagnostic data in a computer.

All this was done in the framework of total support of the product, which dictates the development of such diagnostic and maintenance tools. The Lavi will have a modern parts system, operations manuals which will include instructions for both use and maintenance. It was all accomplished in complete cooperation with the Air Force as an integral partner of the development process.

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ISRAEL

TAX EVASION IN OCCUPIED TERRITORIES

Tel Aviv YEDI'OT AHARONOT in Hebrew 20 Sep 85 Weekend Magazine pp 16-17, 34

[Text] It was 1 a.m. There was not a soul in the streets of Gaza. No one noticed, on that warm night of mid July, the two Border Patrol jeeps and the civilian car which made their way to the house of one of the well known gold dealers in the city. The senior member of the team, a veteran customs investigator, checked his watch. "Now," he said.

Their knocks disturbed the quiet. "Who is there?" a sleepy voice sounded in Arabic from the inside.

"Customs," replied the investigator.

After a few minutes, the trembling gold dealer emerged. "It is most likely a mistake," he said upon hearing the reason for the night visit. "I have no smuggled gold. All my merchandise is legal. Please come in. Take a look. Search all you want."

The search lasted 3 hours, corner after corner. In one corner, under a pile of junk, gold bars were found. A cursory investigation revealed that they were not marked properly. The rest of the night was spent by the Gaza merchant in the offices of the customs investigation division.

That night the customs officials went to homes and stores of other gold dealers in Ramallah, Nablus, Jannin and other cities on the West Bank. Their take -- 150 kg of unmarked gold. Thus a 2-year investigative project came to an end. The project entailed weeks of collecting data, surveillance and observations. One more Arab-Jewish "plot" to cheat the customs authorities has been uncovered.

Up to 2 years ago the gold market was wide open. Judaea, Samaria and the Gaza Strip were a magnet for enormous amounts of gold which was methodically smuggled into Israel, and from there to dealers and goldsmiths on the West Bank. Gold smuggling was a very lucrative business. Gold prices, in spite of world wide declines, have always been relatively high in Israel. On the West Bank prices were even higher. West Bank Arabs have for eons preferred to invest in "something real," such as gold and jewelry, rather than, for example, bank stocks. "Any family with any respect for itself," customs officials explain, "preferred to hoard gold and jewelry in their mattresses."

In the past 2 years customs officials have succeeded in making gold dealers mark their merchandise, so as to be able to identify its legal origin. Unmarked gold is, by law, confiscated. The phenomenon was of such concern to the customs authorities that even those who cross to Jordan over the bridges were made to mark their jewelry, so there would not be any question about its legality when they came back.

But the flow of smuggled gold to Judaea and Samaria was not completely stemmed. Even after that night operation considerable amounts of gold bars were still found at road-blocks. Only 3 weeks before this article was published, two gold bars were found in the upholstery of a car belonging to a Jannin gold dealer. It turns out that they were obtained from an Israeli source without reporting to the customs or tax authorities.

The wholesale smuggling of gold, via Israeli intermediaries, is but one way to exploit the special status of the territories for the purpose of tax evasion. The tax authorities also know that Judaea, Samaria and the Gaza Strip have become a haven for tax evaders, for smugglers of foreign currency and for those who wish to "launder" illegal funds.

If there is a need for official recognition of the fact, it is to be found in drawers in the income tax offices and also in the prime minister's offices and in those of the general secretary of the Histadrut. For several months these respective drawers have contained a document known as the Tzarfati Committee report. The committee, headed by the deputy income tax commissioner, Avraham Tzarfati, devoted a separate section in its recommendations to the subject of tax evasion in the occupied territories.

"The black market," says the report, "is tied in with activities in Judaea, Samaria and the Gaza Strip. To date, although tax obligations for the territories have been expanded partially, and the tax authorities have been empowered to implement them, they are still a haven for tax evasion. The implementing authority has been rendered impotent," so the report continues, "because of lack of manpower."

Until August 1979 Israelis who made their living in the territories were exempt from taxes. In that respect doing business in the territories was tantamount to doing business abroad. Tax liabilities only applied to income derived from or received in Israel. Yamit settlers who were not aware of the fact that they did not have to pay taxes received a refund.

Between 1976 and 1978, Israeli economic activity in the territories increased. It was then that the Income Tax Act was amended, so that Israeli citizens and companies incurred a tax liability according to Israeli criteria. For individuals, it was decreed that even if they lived in the territories and derived their income there, their income would be considered as if it were generated in Israel. For companies the law is more complicated. According to attorneys Eli'ezer Tzuckerman (formerly deputy legal adviser for the Income Tax Division) and 'Imanu'el Gabai (formerly deputy Income Tax commissioner) it is incomplete and full of loopholes, wide open to tax evasion.

The law for corporations states that if they are indigenous to the territories--i.e., if they are active there and their owners live in the territories--their tax liability is according to Jordanian law, or 38.5 percent, payable to the income tax officer in the territories. Stockholders, on the other hand, are to pay their proportionate share to the income tax officer in Israel.

In order to evade taxes there are mother, daughter and grand-daughter corporations in the territories, all resident there. Thus, with a complicated scheme of transferring funds from one company to another--which cannot be detailed in this article--many corporations have managed to avoid legally paying their true share of taxes. The Income Tax Division is examining the chain structure of these companies, but things have not reached the point where they can be forced to pay their full share.

This is not the only loophole in the law, but legislation is not the main problem. The real problem is lack of funds and manpower.

"The tax potential in the territories is not fully exploited, although tax collection there has doubled in the last 2 years," says Shim'on Mizrahi, tax official in Judaea and Samaria. "The network of taxpayers is still incomplete and quite a few manage to slip through. Our weakness is particularly glaring when we have to locate tax evasion of Israelis in the territories. My people deal primarily with taxes from Arabs. Officials within the Green Line concentrate mostly on the immediate periphery. This is how the loophole is created. Jewish businessmen in the territories, in settlements or in industrial parks, fall through the cracks, so to speak. There is quite an opportunity here to evade taxes because of assessments and audits which are performed on these Jewish citizens."

One loophole, which has been very well taken advantage of by several Israeli companies, so it is suspected, is in the area of real estate. This has recently become particularly popular. There is currently an investigation going on into the dealings of one large Israeli real estate company active in Samaria. The deals were exposed due to cooperation between income tax and value added tax units in Judaea and Samaria.

The Income Tax Division showed the company as inactive--no reports on real estate deals ever reached the Division, not even balance sheets. But the company found it more difficult to bypass the value added taxes. Because of its nature, simple, easy to collect and not open to interpretation, it was easier to implement reporting for purposes of value added taxes. It thus happened that the routine exchange of intelligence between the two offices revealed large scale deals which had not been reported to the Income Tax authorities.

What followed was to be expected. Further investigation, as yet incomplete, revealed that stockholders also did not report their profits for income tax purposes. Initial estimates are that income of at least \$250,000 has not been reported.

How was that accomplished?

Each land deal between Arabs and Jews in the territories needs the approval of the civilian authorities there. These deals are usually not easily hidden from the income tax authorities. But when the buyer sells the land to a third party, usually an Israeli, the report has to go to the income tax offices within the Green Line. Because of lack of funds and manpower, explains Shim'on Mizrahi, in charge of tax collection in the territories, control in this area is very lacking. It is here that all the violations occur. In this particular case, the Value Added Division uncovered the fraud through a routine investigation.

How much evasion such as this takes place? How much capital is thus turned over? Shim'on Mizrahi and the income tax official have no clear answer. What is clear--and even the Income Tax Division admits it--is that there is a loophole through which big money can be made.

In order to close this loophole, two special supervisors are soon to be appointed by the Income Tax Division. Their job will be to deal only with Israeli companies in the territories. About 200 corporations are registered on the West Bank. More than half of them are real estate companies. The others deal in industry, transportation and commerce. The two can be expected to be very busy.

Construction is no less lucrative for tax evasion by Israelis in the territories. Only recently the Income Tax Division found out about an Israeli company which won a bid to pave roads in Judaea and Samaria. Employing a sophisticated scheme, a real profit was turned into a paper loss. The funds remained within the company, with no taxes paid on the profits.

The fraud was worked out as follows: The job was subcontracted to an Arab company based in the territories. The local company received 90 percent of the income. The Israeli company was supposed to receive the remaining 10 percent in lieu of income tax not paid. But, falsified documents filed with the tax authorities reported payments to the Arab company which were 10 percent more than all income. The large payments were explained as "unexpected expenses incurred in the course of the project" (the Jordanian law is indeed very generous in allowing deductible expenses and it is therefore very easy to submit inflated bills). Thus the Israeli company showed itself as being in the red. The true profits were pocketed. The Arab contractor also profited because of the fictitious expenses allowed him.

Another Israeli firm, which contracted for construction jobs in one settlement, also showed suspicious generosity in paying its Arab subcontractor. An investigation showed that its actual expenses were 70 percent lower than those showing in the receipts it submitted. The subcontractor, who was caught as a result of a routine investigation, was broken very easily. Now the investigation is concentrating on the books of the Israeli firm, too.

Not only construction companies work with subcontractors in Judaea and Samaria. Clothes manufacturers, small businesses, shoe factories and others have found out that it pays to work with an Arab subcontractor, because taxes



for Arab workers are withheld at the rate of 25 percent at most (compared with 50 percent in Israel). "Utilizing the subcontractor method," says Shim'on Mizrahi, "it is much easier to report fraudulent figures. It is not at all unlikely that many Israelis are taking advantage of this so as to conceal their real profits. There are many Israeli firms that employ Arab subcontractors on the West Bank. Tax officials find it difficult to verify whether expenses are real or fictitious."

Another method, no less sophisticated, to outsmart the tax authorities was recently uncovered when an Israeli firm in the housewares business sold huge amounts of merchandise to an Arab firm in the territories at wholesale prices and with suspicious losses. The Arab firm resold the merchandise, at a profit, of course. Because of the lower tax rate applying to local companies as per the Jordanian law, the Arab intermediary was left with enormous profits. These profits were shared with the Israeli partner, who did not report them, because according to his books he was operating at a loss. The fraud, by the way, was discovered when an astute official suspected the balance sheet of the Israeli firm. The remainder was up to the Income Tax Division investigators.

One of the best known and most complex investigations that the customs offices conducted, against a well known Israeli importer, revealed a similar scheme. That importer sold smuggled merchandise in the territories on a large scale via an agent who was working under an alias. The agent distributed, in addition to merchandise, fictitious receipts bearing the name of a non-existent person. Thus both he and the Israeli importer could enjoy untaxed income. The agent was found only after the Israeli importer, whose apprehension was well publicized, reported the name of his Arab accomplice.

This case--which is now in the courts--was not unique. There were more straw men like that Arab agent who distributed smuggled merchandise, originating in Israel, under false identities. Their apprehension is relatively difficult in the territories because of limited manpower. It should be pointed out, though, that because of unannounced road-blocks, recently employed by the tax authorities, it is almost impossible to transport merchandise in Judaea and Samaria without proper documents. Competition also lands, quite often, some nice results for the intelligence branch of the tax authorities.

The chief of customs and value added taxes in the territories, Me'ir Yaffe, says that cooperation in smuggling merchandise to the territories is usually based on financing in the territories and on smuggling by Israelis. "In the last year millions of dollars' worth of smuggled merchandise was found in the territories. Recently there was a "plague" of containers full of rugs which were discovered in Nablus, Jannin and Gaza. Smuggled (or stolen) video cassette recorders and televisions have always been very popular on the West Bank. Those who do the financing are usually merchants who became rich under Israeli rule, and who make contacts with criminal elements in Israel. Established merchants do not deal, happily so, with stolen or smuggled goods."

But, the most prevalent method, so it is estimated, is that of forming concealed partnerships between Jews and Arabs. This method entails large profits, especially in agriculture, which is not taxable under Jordanian law.

Thus, for example, an Israeli farmer from the north recently formed an unofficial partnership with an Arab to establish a cattle ranch on the West Bank. That Arab was actually a straw man, whose sole function was to be the official proprietor of the business. The Israeli financed the whole project. The 75 percent of untaxed profits returned to him. His Arab partner received the rest, with no investment whatsoever.

Between 60 to 80 such partnerships were uncovered recently, especially in the construction industry, commerce and agriculture. Since agriculture is not taxable according to Jordanian law, it is also the most difficult to uncover. But even in other, taxable, industries such partnerships pay off because of the lower tax rates in Judea and Samaria, according to Jordanian law.

[Box on p 16]

According to estimates, at least \$40 million cross the Jordan bridges monthly into the West Bank. The sources of these funds are contributions to various organizations, support from relatives in Arab countries, loans and other sources. According to regulations of the civilian authorities, each Arab citizen in Judea and Samaria is entitled to bring in \$5,000 without having to declare anything.

"This money," says the official in charge of tax collection in the territories, "finds its way to the Israeli and West Bank black market. These funds are in addition to monthly salaries received by Jordanian officials in dinars. This is "good" money, non-taxable, because we are mandated to do so by the civilian authorities. The dinars are exchanged to shekels for day to day expenses. The dinars are returned to Jordan where they are exchanged for dollars, which return to the West Bank in the next round."

But there is something which causes even more concern: the smuggling of foreign currency from Israel to Switzerland, via Amman. "There is a flow of currency from Israel abroad," says Mizrahi. "We have no idea what its true dimensions are. This is how this takes place: An Israeli goes to a money exchanger and hands over a large amount in dollars. He receives a check, where the amount is stated in dollars. The money, thus deposited with the money exchanger, is transferred to Amman, and from there, via a bank, it is deposited in Switzerland. Generally a whole month goes by before the circle is complete and the Israeli depositor can verify that his money is in Switzerland."

It is estimated that this is done by small and medium size businesses and even small time contractors. Cracking this circle is extremely difficult because of the degree of confidentiality maintained by both sides.

[Box on p 17]

Does an Israeli citizen, residing on the West Bank, have to pay income taxes, or is it that Israeli law does not apply there? According to international law the law that applies on the West Bank is the Jordanian law. When it comes to local Arabs no one disputes that the Jordanian law (along with some amendments implemented by the military authorities and later by the civilian authorities)

applies. But when it comes to Israeli Jews, the law is open to interpretation.

One of the more interesting legal struggles on this issue was settled about 2 years ago by the Supreme Court. It was the appeal by the QPA Pladot Company of Qiryat-Arba regarding a lower court ruling that it is liable for income tax. The firm was accused, and found guilty, of not paying income taxes. It appealed, claiming that since Jordanian law applied in the territories, it could not be forced to file an income tax return in Israel.

But the Supreme Court, in a precedent setting ruling which to date serves the tax authorities, rejected the appeal and ruled that the firm did indeed have to file a return, even if it was not requested to do so. Moreover, the tax authorities have the right to enforce it and employ all the means at their disposal in order to collect the tax.

The Supreme Court ruled that although international law states that one country has no authority to enact tax laws in another country, Israeli citizens cannot be regarded as residing abroad, in this context. Judaea and Samaria, so it was stated, are occupied territories, and Israeli citizens residing there are affiliated with the State of Israel.

A similar struggle took place several years ago regarding the Finance Ministry's authority to collect value added taxes in the territories. The appeal was made by local merchants. At the end of a long and complicated legal debate, the court ruled that Israel has full authority to collect value added taxes in the territories, among others, because all revenues thus realized are spent on the local citizenry.

No wonder then, that politics has invaded the tax issue. The Finance Ministry has always been under pressure to apply Israeli rule to the territories. There were even Israeli firms, based in the territories, that because of political protest did not take advantage of the lower rates allowed them by Jordanian rule and preferred to pay taxes according to Israeli law.

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## ISRAEL

## PROBLEMS IN STRUGGLING WEST BANK SETTLEMENTS PRESENTED

Tel Aviv HA'ARETZ in Hebrew 6 Sep 85 pp 12-13

[Text] When one travels on the West Bank and the road widens all of a sudden, it is a sure sign that there is a settlement nearby. Whether it be black asphalt, or the white base layer, it is a \$300,000 per km road to a settlement. There is no connection between the road and the size and condition of the settlement. They could be the baby teeth of the hungry mouth that settlements on the West Bank are these days, or the teeth that were sown at the last minute before elections. They, too, have a full sized road leading to them. There is another telltale sign: street lights which are on during the day, because of a problematic generator which has to be kept busy, so it will not be "bored" with inactivity and stop whirring altogether. What does a settlement with a black or white access road and lit street lights look like? The author visited three such settlements: Yo'ezer, Ne'ot Adumim and Abir Ya'aqov.

Unlike Gush Emunim settlements, where the eyes look to the heavens in the direction of God for strength to overcome shortages, there is such thing as a rural settlement with a goal of what is referred to as a proper quality of life, raising healthy children, an unpolluted mountain breeze, a sense of pioneering, and, of course, a mortgage at good terms to build that dream house among mountains and rocks, preferably one with a red roof. But in the meantime there are mobile homes, which have been through several settlements and which show the signs of use in the heat and cold, on the road, and whose walls have heard the bitter words of young struggling families in times of crisis, as well as consoling words. A mobile home means, first of all, crowded conditions, many items with no place of their own, which create the feeling of constant disorder, permanent temporariness, dust, cold, heat, wind, dirt, cracked walls, ceilings and floors. A quality of life too low to deserve an even one star designation while dreaming of five stars, amidst constant musty odor.

## Yo'ezer

The white road widens as one approaches Yo'ezer. There is also an indentation on the road, where the future bus stop is to be, on the left. On the hill one can see the skeletons of buildings which were supposed to be villas. They look like abandoned structures with no future. On the other side of the hill



there is a mobile park. It, too, looks abandoned, arranged like the Wild West: concentrated around a small center with a playground for children who are not here, or are away, somewhere, on vacation, or have left. Rahel, the secretary, is in the office. With her is Gabi, the Kfar Saba secretary. Gabi does not live in Yo'ezer, because he has teenagers who "have nothing to do in a place like this." They both try to paint a rosy picture, decorated by some spots of difficulties which can be glossed over. The settlement was founded in October 1982, under the auspices of Herut-Beytar, "because there is a need for settlement," not because of some ideology. Funds were raised in house parties.

The settlers' group was called Stav [autumn]. Yo'ezer, their settlement, was planned for 200 families. Actually, 200 families have been through the place, and were not absorbed. One reason, perhaps the main one, is standing at the door in the form of one Amnon Hirsh, sun tanned, tall, athletic, with a heavy gold chain showing from a very open collar. He could be a lifeguard at a pool, certainly judging by the sense of security he so easily inspires. Amnon Hirsh is the founder of this settlement, and probably also the one to dismantle it. Of the 20 families who settled here, 10 are in the process of packing up, leaving, desparate. Some are returning to the Green Line, to Petah Tikva. "Even our idealism is dead," they say. According to those leaving, Hirsh has turned bossy, made them slaves to his ambitions, misused public funds as if they were his own, drove away those who would not obey him, listened in on their conversations in hallways or by telephone, sometimes even hiding under their mobile homes; he is even accused of turning off the water or electricity of those who disobeyed. Moshe Lichtman documented many of these complains in HADASHOT of 26 July 85.

Hirsh did not cooperate with Lichtman. Today he is willing to compromise somewhat. "They opened a file against me. They call me a terrorist. The price is high and I am paying with my health. Anyone who does public work is always under attack. There were expectations of founding a settlement with people one can live with, but all you have here is people one cannot possibly live with. The mistakes were made right from the beginning: the intent was to build an urban settlement, I maintained from the very beginning that this was not possible. The point is, all such urban settlements have failed. Look at Nofim, Kramim, Kila'im and Sha'arei Tikva. All private endeavors where people don't want to live." While touring among the mobile homes and other structures which were "prepared for human habitation" as he puts it, a woman passes by. He treats her as if she were air. She treats him in the same manner. No greeting, no acknowledgement. He explains: "She was a kindergarten teacher, from Bet Abba, not far from here, another settlement which is failing. When she was fired she vowed to destroy our settlement. Right now she is succeeding in doing just that. She talked five families into leaving." Two of Hirsh's children are in his mobile home. Teenagers, watching educational t.v. It is very hot outside. An air conditioner is working inside. There is nothing to do. They are all crowded in a room 10 sq m in size. Says Hirsh: "It is an awful feeling with people leaving right and left. But actually we have mixed emotions. We so much wanted them to leave because for the last 18 months they hampered the growth of the settlement by constant appeals to the courts and politicians. The real reason for the trouble they caused is that they did not have enough money to build their

homes. We, who came here at the height of the Likud term and their settlement efforts, were the victims."

Close by there is a van at the entrance to a mobile home. People are packing. They are tired of Hirsh and the way he tries to rule the place. "We have lived in substandard conditions for all too long," says the woman who is packing. She does not want to be identified. "But when Hirsh undermines us in addition, there is nothing more for us here. We wanted to see the books, we wanted to understand how he manages our money. We never received an answer. When we appealed to Herut-Beytar we were told to "shut up." Herut-Beytar was totally non supportive. "They only protect him all the time." A cupboard emerges at the door, carried by two: the owner and an Arab boy of the neighboring village, al-Diq. The boy knows that the truck is headed to Petah Tikva.

When the author asked Hirsh when he planned to leave Yo'ezer he replied: "I will only leave this place in a coffin." It is a known fact that Hirsh is wanted because of some bad deals he made within the Green Line. Perhaps this is the reason he plans to stay there, on top of the hill, alone, with the bus stop and its cover that the Committee for Soldiers may construct there.

#### Ne'ot Adumim

It took the author 2 days to just find Ne'ot Adumim. There is no sign, nothing to identify the settlement which is between Abu Dis and 'Azriya. Only a wide road, part black, part white, on which trucks carry their load to the Jerusalem dump. The road follows the stench, one missed right turn and one is right in the midst of it. On top of the hill there is a humming generator pumping electricity to turned on street lights. There are three tents there, a present from the IDF; next to them there is a rather strange structure and mobile homes in a half circle. Ne'ot Adumim is the last word of the last elections. It was a last minute effort to create facts. Originally it was the site for a Herut-Beytar settlement which did not make it through the red tape and other bureaucratic maze preceding settlement. The group was in the process of being dismantled. It was replaced by a small group calling itself Gar'in Oriya. Its members were looking for a small place where they could do a lot of meditation and live in close relationship with each other. Today, a full year after settlement, this small group, which received the support of the Agricultural Center, i.e., the Labor Alignment, is surrounded by the other small group, supported by Herut-Beytar. Each group is spying on the other. In their context this means sabotaging the water system, damaging the little bit of grass which managed to emerge near one of the mobile homes, and inciting the two supporting settlement movements against each other. The bickering started immediately following the elections and reached its absurd peak with a telegram sent to Yitzhaq Shamir when he was in Panama, asking him which group was to receive three mobile homes and which was to have four. The altercation was constantly accompanied by statements such as: "We will not allow the unity government to fall apart because of this feud." Each group maintains that the other is small, domineering, and basically does not live in Ne'ot Adumim, just going through the motions, while it, the other group, spent a harsh winter here, in frozen tents and with sick babies. There was also "Crystal Nacht," the night of the big pogrom, when members of Gar'in Oriya

refused to vacate mobile homes that a court order assigned to the Herut-Beytar group. The police came, the IDf, the Border Patrol, even friends from Jerusalem were called in. There were attempts to break in, and counter attempts, there were honking cars with their bright lights on, there were beatings and loud noises broadcast over a p.a. system. There was a pouring rain with a driving wind. There were eyes filled with hatred and a feeling of righteousness.

The grey mornings following that night brought about an inner consolidation and the transfer of hatred for the other group to efforts at documentation of what was going on. Herut-Beytar claims that Oriya "has time to sit here because they don't work. We, on the other hand, only come back at night because we have to work. It would be interesting to find out where their money is coming from. Sometimes they hold night orgies and sometimes they are in a world of their own meditating." Oriya, on the other hand, complains that "the Beytar group is sitting here under our noses as if Kahanists were sitting in our very living rooms. Actually they never lived here during that difficult period in the tents, which lasted 6 months. All they want is land and villas. We are after a quality of life. When they saw that things were going our way they followed us. They are sitting on our backs. They are violent people. All the time they try to heat up the atmosphere while we are doing our best to cool things off. We want no confrontations with them." Miri Rosenbaum, wife of the Herut-Beytar group leader admits: "True, we are the vulgar ones, we yell. But they, the non-vulgar people, very gently ignored a court order. When they do so it is not considered violence. Interesting, isn't it? They declared more than once that they are determined to drive us away from here. They would prefer to remain small and isolated. We, on the other hand, are willing to live as neighbors, in peace and quiet, if they would only agree to become part of the 200 families expected to live here.

The settlement offices and others who have a say in settlements are waiting. Either one group will give up and leave or they will somehow learn to live with each other. Efforts to separate them by placing their respective mobile homes on top of two separate hills did not resolve the problem. In the meantime there is active correspondence and the constant exchange of curses and sabotage. An ongoing altercation.

#### Abir Ya'aqov

Abir Ya'aqov is also not too easy to find. No one has heard of it and it is not marked on any map. Somewhere on the Jerusalem--Ramallah road a company of reserve soldiers may be able to point to a side road, going up the mountain through a typical Ramallah suburb. There, too, one can find a wide white road, with a small bend for the future bus stop, and 100 m further down the road a small group of mobile homes and several reserve soldiers. For the most part of its 1 year in existence the settlement has been occupied by just one stubborn family. One might say they each have their own body guard. Today Abir Ya'aqov has two or three more families. It is a quiet settlement, with no big altercations. Maybe there are just not enough people to fight with. But they do have big plans. Moshe Dadun, his wife Tikva and "one and a quarter children" have been holding on to the settlement for dear life." The

settlement, as far as is known, was to be a TAMI settlement. It has finally fallen into the hands of David Levi.

Moshe Dadun, obviously the secretary, files away all correspondence in an orderly fashion. He talks about the various goals that several settlement offices have set for Abir Ya'akov as a "satellite suburb of Jerusalem." As far as the author can tell the settlement is right in the heart of Ramallah. Dadun has a large white map spread on his knees where a 200 family settlement is marked in black. The Housing Ministry demanded that Dadun's group not empty out any Jerusalem neighborhood in order to settle the place, but rather, find people from all over the country. Therefore the people who came here were from Ma'alot, Petah Tikva, Netanya and Ashqelon. But mobile homes or the prefabricated structures, no water, no electricity or sewer, on top of a rainy, bare mountain did not resemble in any way the red roofed villas in Ari'el, Elkana or Giv'at Ze'ev which were in their dream, and they left, one by one. Tikva Dadun says that the real reason was "because there is nowhere to go and take a shower." Unlike families who hold on to another apartment in Jerusalem or Ma'ale Adumim, here the distance did its damage. But Dadun and his wife have not given up. They have plans for 200 families and a cooperative which 30 families have already joined. They also have by-laws which they have been working on for 2 and a half years. The children who are to be raised here will go to nursery school in Bet El, to kindergarten in Pesagot, to elementary school in 'Ofra, and when they reach high school age they will go to Jerusalem. Moshe Dadun is happy that so far he has been able to be officially recognized for budgetary purposes and that the road leading to the settlement is a symbol of the fact that it has not been abandoned. He is hopeful that the plans will soon be finalized and that the phase of "build your own home" can then start in earnest.

Three tiny settlements, each with three permanent families, all dream of a 200 family settlement, access roads the size of highways, and most important of all, "excellent relations, truly excellent relations" with the Arabs around them.

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ISRAEL

'ELI, NEW SETTLEMENT IN SAMARIA, TOURED

Tel Aviv YEDI'OT AHARONOT in Hebrew 1 Oct 85 p 25

[Text] The bright sign prepared for the occasion of laying the cornerstone for 'Eli, in Samaria, announced formally: "We are starting big." This time around, so it said, old mistakes will not be repeated. "We know the excuses of no money, no power, no way...no land, no roads, there is nothing to be done. We know these cliches, from the days of the biblical spies. We have learned to live with them. We have learned how to overcome them." In spite of it all, 'Eli has no land, there are no roads there, and, declarations notwithstanding--it does not seem as if it will ever become a city.

On 2 October, at 3 p.m., following a sky diving and musical show, Housing and Construction Minister David Levi was to greet the new settlers of 'Eli. The celebration was to mark the occasion of the establishment of the first city in Samaria. The problem is, it is too early to celebrate: If Minister Levi were to ask the opinion of one of his senior advisers, Yosi Margalit (manager of the Rural Construction Division) could tell him that the potential for land for this settlement could not possibly support a city. Not even a town. Margalit also ought to remind his boss that the ministerial committee for settlement affairs only approved a "communal settlement," not a city.

Says Margalit: "A communal settlement is no larger than about 250 families. 'Eli's land potential are around 1,500 dunums. If at one point all this land is utilized, no more construction can take place without acquiring more surrounding land, which nominally belongs to the civilian authorities. They will also need the concurrence of the ministerial settlement committee. In any event, there is no way they can plan on a city with what they have today."

Gush Emunim people do not let these facts deter them. They continue to promise to all those who are interested, that 'Eli, near Shilo, is the site of a future city. In the meantime there are 15 families residing in 'Eli, some of whom came from Shilo only temporarily, until 'Eli has more settlers. The permanent residents are convinced that 'Eli will one day be a city. They were also promised certain things before they made the move. An old advertisement, under the caption of "'Eli, a garden city in the heart of the country" promised that after phase 1, in which only 25 residential units were to be constructed, the second phase would begin, consisting of 200 units. "This phase is scheduled to start in the summer of 1985," the advertisement claimed.

The summer of 1985 has come and gone. Israel is already using next (Jewish) year's calendar, yet there is no sign for phase 2 in 'Eli. Even phase 1 has barely been started. Of the 25 pre-fabricated homes, only 15 are occupied. There are two dirt roads leading to the settlement, 4 km in length each.

The author met Hayim Freedman in his backyard. He was in the process of constructing a Sukkah. Freedman, an immigrant from the United States, a religious Jew, arrived in Israel 3 years ago with his wife Rivka. They are both idealists, with deep Zionist convictions. While in the absorption center in Jerusalem they did not feel that they were fulfilling the Zionist idea. This is why they went to 'Eli with their two small children. Their third, Dani'ela, was born here. They have no doubt that this is the future site of a city. After all, this is what they were promised. "Politics does not interest us too much," says Mr Freedman. "We came in search of a city with a quality of life. It may take some time, but eventually there will be a city here. I think that people are tired of apartment buildings. They want something else."

"What kind of a city do you expect will be here?"

Says Rivka Freedman: "There is a committee which interviews all candidates. We don't want just anyone. We would like a strong core. For the present it is a religious community, and the first 200 families will be observant."

Mr Freedman gave the author a tour of the settlement. The communal section has a day-care center, a kindergarten and a clubhouse. The author wanted to know what the clubhouse consists of. "Right now there is nothing there," explains Freedman, "but all kinds of things have already been ordered." The settlement was established a year ago. The clubhouse building has an elegant gilded sign on a nearby door: "David Charles Tzwibak, architect." Right now he has no work. The 25 homes receive their electricity from a large generator. Mr Freedman has no idea when the settlement is scheduled to be connected to the main system. "We are not aware of any specific date," he says, "but they promised to connect us." "And telephones?" "There is one pay phone in the office. In the future we will all have telephones." From the top of the hill on which 'Eli is situated one can see the wild Samaria mountains. There are two dirt roads through these mountains, the only approach to 'Eli. The author asked Mr Freedman if he knew when a road was going to be paved. "I don't know," he said. "Even the dirt roads were constructed only 3 months ago."

As was mentioned, phase 2 has not yet been started. Nevertheless, there were tractors and workers on site. They were preparing for the official opening ceremonies. Mr Freedman pointed to a hill which had already been leveled: "The guests will be seated there and on the other side we are going to have the podium from which Minister David Levi will speak. We planned it so that the sun will not be in the guests' eyes." Minister Levi, on the other hand, will be blinded by the bright 'Eli sun. "We," says Freedman, "will serve as ushers."

The fact is that at the present there is no legal way to build a city in Samaria and all the statements by 'Eli's settlers are somewhat optimistic.

But who knows, if publicity is kept at this level, the remaining 10 units on this green Samaria hill may yet be sold.

3 January 1986

ISRAEL

## UNDERGROUND ECONOMY FLOURISHING IN ALL SECTORS

Tel Aviv YEDI'OT AHARONOT in Hebrew 6 Oct 85 Holiday Supplement pp 4-5

[Text] Several months ago a special unit was established at the income tax commisssion whose job it is to follow international deals of Israeli firms. The committee was headed by Alex Hilman. Not too long afterwards Mr Hilman resigned from the Finance Ministry. His position has never been filled and the unit does not function.

These days a new study on Israel's underground economy has been completed. One of the main findings of the study, conducted by economist Ya'akov Condor, is that large amounts of the underground economy can be found precisely in international deals...

The findings of the new study confirm that the dimensions of the underground economy--or what is referred to colloquially as "black capital"--are considerable. Condor differentiates between concealed production and tax evasion. Concealing production pertains to that portion of products and services which does not show up in official statistics. For example: when a person adds a room to his home and does not report it to the local authorities, and, of course, does not volunteer the information to the income tax commission, either. The customary arrangement is that the owner and the contractor divide up the unpaid improvement tax between them.

Condor's most important finding: Israel's GNP is larger by 2 to 12 percent--the precise figure is difficult to arrive at--than is officially reported. In other words: the standard of living, which is sometimes measured as the GNP per person, is that much higher than the officially published figures.

If Condor's findings are added to the estimates on tax evasion, the difference becomes even larger. There are many deals about which there is official knowledge. But the tax authorities have not received reports about them yet. The combination of concealed production and tax evasion indicates that Israel could possibly manage even without American aid, which amounts to \$4 billion annually--if this wholesale cheating were not taking place.

## Where Is the Cement?

Condor's study differentiates between concealed production in consumption, investment, and foreign trade. Concealment exist in all three. Actually, there is hardly any industry in Israel where cheating does not take place.

In the area of investment, the most glaring example is that of cement. There is a monopoly on cement in Israel--Nesher--and there is no reason to assume that the firm reports more sales than actually take place. But when the sales of cement, as reported by Nesher, are compared to the consumption of cement, as reported by buyers, there is a gap of 6-10 percent. Conclusion: the firm produces and sells more than the customers report. This finding is related, of course, to the general confusion in the construction industry, which is justly considered as the leader in concealment of income and tax evasion.

The area of foreign trade is no less--and perhaps even more--wide open. Theoretically, Israel's exports to a certain destination should be equal to the imports from Israel by that destination. Similarly, Israel's imports from a certain country should equal that country's exports to Israel. As Condor looked for some correlation he compared data about trade with data provided by the countries with which Israel trades. He came up with some very interesting observations: In all countries thus investigated, with no exception, exports to Israel are higher by an average of 5 percent than data about imports of those countries to Israel. Conclusion, it pays for Israeli importers to inflate the amount of imported goods, as they do with their prices.

When materials for investment are imported, such as machines, the larger imports entitle the importer to a larger credit from Israel Bank, higher subsidies as part of the Act to Encourage Investments, and a larger depreciation for income tax purposes.

There is one more advantage. In actuality those who export to Israel do not receive higher prices. Only import documents show higher prices. The importer receives the funds from Israel Bank based on the higher price, pays the real price to the overseas supplier, and deposits the rest in an overseas bank account.

## Israelis Pay More

Condor did not stop with this shocking finding. He also compared the prices of various imported items to their prices in other countries. The result was not surprising: As usual, Israelis pay a higher price for the same items than do consumers in other countries. A possible reason: Israel buys higher quality merchandise. The real reason: The importer pays a higher price in order to smuggle out foreign currency.

Several days ago Moshe Prussman was indicted. He imports Sharp products to Israel. He is accused, among others, of establishing a Japanese firm which supplied falsified invoices as per his directions, instead of quoting the actual prices. He is also accused of reusing the same invoices in order to take foreign currency out of the country and transfer it to his overseas accounts. He presented low price invoices at customs, in order to pay low



duty. When he went to the banks he showed high price invoices in order to be able to transfer higher amounts.

Prussman's case will be decided by the courts, but the indictment paints a true picture of the wholesale fraud perpetrated by certain importers and exporters. Tax Commissioner Ya'ir Rabinowit says: "A while back we encountered an importer who filed a report with the income tax division. According to the report he had not made any money in the year to which the report pertained. This raised our suspicion: Is his business a volunteer business? We compared the prices he paid his suppliers with those paid by other importers and we realized that his report was very far from the truth. He was easy to uncover, because he exaggerated. Other importers and firms who have international dealings are more difficult for us. For the time being, until the special unit that we have established has a new head, this area is wide open."

### Cheap Cake Flour

This underground economy is not restricted to investments and foreign trade. It exists in the important area of consumption, too. Condor conducted an interesting experiment, the first of its kind in Israel, trying to estimate the underground economy in about 30 different industries.

Israeli agriculture, for example. It is praised all over the world. Even among the cheaters. Everyone knows those who sell eggs at road stands, or in a market corner. These are sold directly by the producer, without going through the marketing council. According to estimates of the Agriculture Ministry this unorganized market amounts to about one eighth of the total market --a rather low estimate, because with this ploy the seller loses the government subsidy for eggs and it is not always the case that the "black" profit is higher than the "laundered" loss.

This, perhaps, is just a corollary from Condor's study. Subsidies are not always at the root of all evil. In those areas where subsidies are highest, cheating is the lowest.

In comparison, in the marketing of plums--unsubsidized--the concealed proportion is much higher. Agriculture Ministry data show that the non-organized marketing of plums is about a sixth of the industry. Income Tax authorities estimate that one seventh of all production is sold directly to consumers and another quarter or third is sold underground to wholesalers. Condor thinks that the tax officials exaggerate, and that only 12 percent of the plum crop is concealed.

Listening to the gossip of large food producers who use flour can create the impression that the rate of concealment here is enormous. One large producer told this reporter that his firm was offered the purchase of a small bakery. When the books were examined it turned out that sales were more than the amount of flour allotted to that bakery. A cursory investigation revealed that the bakery buys, clandestinely, subsidized flour, intended for bread. The cheap flour was used for expensive cakes. Investigators of Income Tax did, in

fact, find widespread cheating in small bakeries, in collusion with flour suppliers. In their opinion, medium sized bakeries are also guilty of some shady deals.

Condor estimates that concealment of flour is between 4-16 percent of the total in that industry.

#### Lower Productivity Reported

According to Israel Bank estimates, a lot of cheating takes place in the area of home improvement. Construction industry data show that compared with the sixties, productivity has gone down considerably, i.e., a construction worker builds less than his counterpart did 20 years ago. There is no convincing explanation to this surprising phenomenon, unless one assumes that some production "disappears" in underground home improvements which are not reported. Data on cement utilization vs. cement consumption corroborates this, too.

One industry which has never been suspected of cheating is that of hotels and rooming houses. Income tax officials think that it cannot be expected that high class hotels will misrepresent their income, if only because they want the government subsidy which is based on deposits of foreign currency. But, there is no subsidy on income in shekels. About one quarter of the rooms in hotels and rooming houses are not among those recommended for tourists or are in hotels with less than two stars. It is estimated that concealment of income in those hotels is between 2 and 8 percent. Again, it is difficult to be more precise.

In the communication and transportation industries concealment amounts to about 17 percent, especially in overseas trips, but also in ground transportation. Taxicabs conceal income, especially from special trips, some of which are recorded as business trips when actually they are for personal use. Drivers, according to Condor's estimate, cheat primarily on income from tourists who do not request a receipt. On the average, he thinks, taxicabs conceal about 12 percent of their income.

#### The Dentist's Cavity

Several years ago the tax commission examined doctors' incomes. It turned out that many physicians have a private practice, and the books are not always kept to the satisfaction of the tax commission. Condor examined the gap between family reports on dental expenses, as revealed in a survey, and national statistical data. The gap is approximately 17 percent on the low end and 34 percent (!) on the high end. Condor doubts the latter figure. He points out that the possibility that patients can get a tax deduction for dental expenses contributes to somewhat lower cheating. But, there are many who do not take advantage of the tax deduction. In other cases dentist and patient agree between themselves on a certain sum without letting the tax commission in on the deal.

The entertainment industry has been in the headlines in recent years. In many cases couples complained that Income Tax investigators showed up as uninvited

guests at the wedding, in an attempt to keep track of the hall owners, the bands, and the photographers. According to the study, cheating in this industry is between 5 and 15 percent. But, this is an industry for which there is very little data, perhaps because most of the activity is conducted at night, on weekends and holidays, when tax officials do not normally work.

The underground economy is measured as the difference between consumption on the one hand, and production and imports on the other; in other words, the gap between what the public consumes and the amount of products and services pumped into the economy. The gap means concealed production. It should not be confused with tax evasion. Condor's estimate points to concealment amounting to 5 percent. It is a rather low estimate compared with others.

The present project, undertaken by Income Tax officials, shows that about 20 percent of the population conceal production or cheat on income tax. Condor's findings, along with those of the tax commission show that it is entirely possible that in total concealment and tax evasion amount to between one fifth and one third of total economic activity. It is clear to all those dealing with the issue that Income Tax officials cannot deal with such a widespread problem. The need to recruit hundreds of workers--the commissioner only wants close to a hundred--is a necessary condition, if the underground economy is to be reduced to a point that the law can deal with it effectively.

[Box on p 4]

#### Currency Funneled to Switzerland via Amman

In one of the meetings of the Knesset economic committee, held in recent weeks, the chairman, Member of Knesset Eliyahu Shpeizer, brought to the committee's attention a rather shocking fact: about \$1 billion of the underground economy has been smuggled overseas, partly with the help of banks on the West Bank. He said that the authorities "have recordings of conversations by smugglers."

No one knows how accurate Mr Shpeizer's estimate is. Do the tax authorities have recordings of smugglers, as they claim? Perhaps. What is clear, however--and even the tax authorities admit it --is that when it comes to smuggling foreign currency abroad, especially to Switzerland, there is close cooperation between Israel and Jordan, via intermediaries in the territories. It is an underground system, of which the tax authorities are aware, but to date they have not been able to apprehend anyone.

#### How are dollars smuggled to Switzerland via Amman?

According to intelligence reports, available to the tax authorities, it works as follows. An Israeli who wishes to smuggle his "black capital" (in dollars, of course) goes to a money exchanger in East Jerusalem or on the West Bank with his "greenbacks." In exchange he receives a bank check in foreign exchange, as security. Occasionally--depending on the amount of trust between the two sides--he does not even bother with that. Now starts a waiting period.

The exchanger transfers the money to Amman, via the Jordan bridges. Usually he does so personally, especially with large amounts. Several weeks ago customs officials intercepted a large shipment--\$1 million--on its way to Amman. The source of this money has apparently not been discovered.

In Amman the funds are deposited in a bank, via which they are sent to Switzerland for deposit in a numbered account in the name of the Israeli client. When the money has been deposited, the money exchanger is notified. He, in turn, calls his client and reports that "the project has been successfully completed." The Israeli only has to check, using his agreed upon code with the Swiss bank, that the money has indeed been deposited to his account.

"About a month goes by," so estimates Shim'on Mizrahi, who is in charge of tax collection in the territories, "before the circle is closed. The problem is that it is very difficult to break because of the clandestine nature of the operation and the mutual trust among all participants to these deals." Yet, he estimates, most of those utilizing this channel to smuggle their illegally earned capital are Israeli businessmen, contractors, merchants, etc., whose businesses are not very large.

Another sophisticated method, which the tax authorities have been able to crack in some instances, is the method of fictitious imports or exports. Recently several importers and exporters were caught utilizing this method to smuggle funds out of the country. The estimate is that the extent of this method is much larger than has been uncovered.

This method works as follows. The exporter reports lower amounts of exports than actually take place. The returns realized from the reported amount is brought to Israel and taxes are paid as required. The remainder--the returns realized from the unreported exports--remain in an overseas bank. Israel loses both the foreign currency and the taxes which would have been paid on the profits.

Importers utilize a similar method, in the opposite direction. They report larger import amounts than actually take place, and thus transfer some of the capital overseas under the guise of payments for imports, while in fact the ultimate destination is an overseas account in their name.

In order to perform these "exercises" there must be close cooperation between the Israeli importer or exporter on the one hand, and the overseas client or supplier, respectively, on the other hand. After all, the overseas connection has to send fraudulent invoices on the transaction. This kind of cooperation has been uncovered several times when tax officials managed to intercept these smuggling routes.

Underground smuggling methods are endless. This brain war, going on between the tax authorities and tax evaders, often ends up with sizable victories for the former. But these are only battle victories. The victors in the war, so it seems, are the smugglers. For the time being.



[Box on p 5]

Interview with Tax Commissioner Ya'ir Rabinowitz

One Smuggler in Five

[Question] What is the extent of the underground economy in Israel?

[Answer] No figure that can be mentioned can either be verified or disproved. Everything is speculation when one tries to estimate the problem as a whole. The phenomenon is apparently widespread. We are now in the midst of a project where 300 of our new employees are covering the markets. We have examined about 8,000 cases and the percentage of interception is about 20.

[Question] Where is the "black capital?"

[Answer] A large part, surprisingly, is to be found among taxpayers. When someone files a return and it is our fault that it has not yet been examined, it can be assumed that there are unreported funds. But there is a whole system which is not in tax commission files. This new project is directed at just this system.

[Question] How are you going about it?

[Answer] We are trying to obtain, in addition to unreported receipts, intelligence on the extent of the business. There are many taxpayers whom we know. There is a furniture dealer, on Herzl Street, for example. We know about his store but we have no idea about two of its warehouses and about the fact that the owner is also an intermediary for this sort of deal. In order to find the other businesses, we are trying to enlist the help of the Electric Company, local authorities, and banks.

[Question] Are they cooperating?

[Answer] The trouble with the Electric Company is that they go by meters, while we go by identity cards. For the time being the Electric Company has not turned down our request. Neither have we received any positive answer.

The same with banks. If a person has an account at a certain branch and we are aware of the fact, the bank will give us all the necessary information about that account. But if the person holds accounts at other branches, about which we have no knowledge, we do not get the information. Some, not all, of banks cooperate.

[Question] What else are you doing?

[Answer] In the next few days we are about to start a p.r. campaign through which we will try to explain to the public that anyone who aids in smuggling--such as by not demanding a receipt--is ultimately hurt, both from the point of view of the overall economy and personally. As usual, it is assumed that the merchant gives the customer a discount on the value added tax in return for a lower price. If this is the case, the discount should be much higher,

because the customer ought to receive his share of the income tax, also evaded by the merchant.

[Question] Do you have a carrot, in addition to the stick?

[Answer] I am glad to report that we have instructed all assessors that all returns, which seem correct upon initial examination and where all data makes sense, should be accepted without further audit.

[Graphs on p 5]

Caption: Israel and other countries: In many countries, as well as in Israel, there is an active underground economy. The graphs show its extent as a percentage of the GNP in several countries. In Israel there are several estimates regarding the extent of the underground economy.

The Underground Economy in the World



Great Britain	6%
Austria	7%
Norway	7%
Sweden	8%
West Germany	8%
United States	10%
Belgium	12%
Italy	17%



Ben-Shahar committee	6%
Economists Mishori & Tal	4%
Economists Unger & Zilberfarb	11-15%
MK Eliyahu Shpeizer	25-33%
Economist Ya'akov Condor	2-12% (not including tax evasion)

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## ISRAEL

## EFFECT OF UNEMPLOYMENT ON EMIGRATION ANALYZED

Tel Aviv YEDI'OT AHARONOT in Hebrew 1 Oct 85 Business Supplement p 7

[Article by Professor Yoram Weiss: "The Effect of Unemployment on Emigration in Times of Economic Slowdown"]

[Text] The economic policy makers in Israel are openly sensitive to the subject of unemployment. The demand not to create mass unemployment, even for short periods of time, constitutes a serious impediment for policy weapons in the struggle against inflation in Israel. One of the major considerations mentioned in this connection is that an increase in inflation would cause emigration, especially among the young.

Tables 1 and 2 illustrate two situations of increased unemployment in Israel. One was the economic slowdown of 1967, and the other the partial slowdown of 1980. In both situations there was a sharp rise (an almost doubling) in unemployment among the young population of Israel. This increased unemployment was accompanied in both cases by a considerable increase in the number of people leaving the country for more than 12 months. (I do not have exact figures as to the percentage of young people leaving, but it is known that they were higher than the percentages shown in the table referring to the entire population).

The data also points to the fact that increased unemployment had no marked effect on reducing the number of people returning after more than 12 months abroad. On the other hand, the decrease that occurred in unemployment at the end of the slowdown period brought a stronger stream of returnees. These figures show that emigration and immigration from and to Israel may be viewed, to a certain extent, as cyclical movements.

#### Export of Unemployed

Emigration to countries of relative prosperity at times of economic slump has always been one of the main means in the struggle for economic survival. From the viewpoint of the Israeli economy, too, one should not view emigration as a negative phenomenon, as long as it is temporary. Conversely, production factors can be more efficiently utilized when the unemployed can be "exported" for employment abroad.



Easing the burden of taxes required to finance unemployment compensations also helps to improve the allocation of resources.

And finally, the employment of workers abroad ensures the continuity of the process of accumulation of knowledge and experience by the workers, and preempts the loss of human capital involved in prolonged unemployment.

The fear of what is called "the emigration danger" is based on the fact that incoming and outgoing streams do not balance each other for the duration of the cycle. Some of those who leave at times of crisis do not return when that becomes desirable; thus, an increasing number of Israelis choose not to return to Israel at all.

#### 10,000-15,000 Emigrants

The number of Israelis who left and did not return to Israel (even on visits) over a period of 4 years constitutes an estimate of the number of citizens that have been "lost" to the Israeli economy. The cumulative estimate of such emigrants since 1948 and until 1984 is approximately 255,000.

The relevant question concerning an ongoing policy of full employment is to what extent does full employment preclude permanent emigration.

The data shown in tables 1 and 2 demonstrate that in both periods of economic slowdown there was a considerable increase in the number of people who left and apparently did not return within 4 years. If we view them as permanent emigrants, then we can say that the addition to the stream of emigrants in excess of the tendency stemming from the unemployment of the years 1966-67 was about 4,000 citizens, while the increased unemployment of 1980 "contributed" some 10,000 emigrants.

Interestingly, the relatively minor slump of 1980 had a sharper effect on emigration than the famous recession of 1966-67. One of the main reasons for this discrepancy is probably the liberalization of foreign currency regulations, which facilitated the transfer of property abroad and thus reduced the cost of emigration.

According to the table figures concerning the past two recessions it can be estimated that an attempt to sharply curb inflation by creating a high rate of unemployment (estimated at an average of 9 percent) is apt to increase the stream of permanent emigrants by about 10,000-15,000 people during a period of economic slowdown.

#### The Young Are the First To Be Hurt

We must also note that the above-mentioned estimate is very general and ignores many other variables that may influence emigration. Thus, if we assume that the individual examines all the aspects of his living standards in Israel and abroad, the particular emphasis put on employment appears somewhat surprising.

But one must remember that unemployment does not affect all individuals equally. Young people just joining the labor market are among the first to be affected. At the same time, the decision to emigrate is not taken in the same manner by all the individuals. If we view emigration as an investment involving transition expenditures, it is logical to assume that a young individual, who can enjoy the returns of his investment for a longer period of time, will be more sensitive to changes in economic conditions. Hence, in comparison with the policy that lowers the living standard of the entire population, such as salary erosion, the creation of unemployment has a greater effect on emigration.

#### A Heavy Price

There is no doubt that for the Israeli economy, which is trying to increase its population, a single increase in emigration of about 10,000-15,000 people a year, is a heavy price to pay. Therefore, the caution evinced by Israeli policy makers in establishing anti-inflationary measures and the scope of such measures appears justified.

At the same time, one must be alert to short-sighted policies in this respect, too. In the long run, the rates of both emigration and immigration are influenced by the totality of factors that affect the quality of life in Israel. A policy of full employment implemented at the expense of growth and through inefficient allocation of resources will, in the last analysis, impair our capability to attract a new population to Israel and to hold on to the existing population. Therefore, in my opinion, one must as much as possible refrain from employing means of preserving employment by directly or indirectly subsidizing labor-intensive sectors such as services, or enterprises which have large numbers of personnel but are economically unprofitable.

Such means create employment for the short run, but in the long run they impair the competitiveness of the economy and its capability to ensure an appropriate living standard for the population. For similar reasons I do not subscribe to the means designed to preserve employment at the expense of branch transfer, such as shorter work hours in the public sector.

#### Investing in Training

In order to protect the young from being hurt by unemployment, attention must be focused on solving this problem. The most reasonable proposal that has been recently heard is to use unemployment insurance to finance education and training. A period of recession is an ideal period for increasing investment in education, because at such times the alternative expenditures for training workers are low and sometimes nonexistent. In addition, training subsidies favor young workers, because they can enjoy the returns of the investment for a longer period of time.

There are more than a few practical difficulties in implementing this proposal (such as how to prevent the exploitation of the system of unemployment insurance by students who had no intention of working in any event), but I assume that with the aid of appropriate entitlement conditions, it is possible

to establish a system that is not too wasteful and that can have a direct effect on a group that offers high returns, at least from the viewpoint of preventing emigration, for each shekel invested.

Table 1

Unemployment and Emigration in the 1976-77 Recession Period

Year	Unemployment rates for ages 18-34	Rates per 1,000 citizens who:		
		Left and did not return within 12 months	Returned after more than 12 months	Left and did not return within 4 years
1965	5.1	7.5	4.6	3.4
1966	10.4	9.3	4.8	4.1
1967	14.4	9.6	5.2	3.9
1968	10.8	8.1	6.1	2.5

Source: Central Bureau of Statistics

Table 2

Unemployment and Emigration in the 1980 Recession Period

Year	Unemployment rates		Rates per 1,000 citizens who:		
	Age 18-25	Age 25-34	Left and did not return within 12 months	Returned after more than 12 months	Left and did not return within 4 years
1979	7.6	2.9	10.2	7.4	3
1980	12.9	4.5	13.2	7.2	5.6
1981	14.3	5	10.5	7.7	2.8*
1982	14.1	4.7	10.6	8.1	3 *

\*Estimate

Source: Central Bureau of Statistics

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ISRAEL

# POVERTY STATISTICS RELEASED, DEFINITION QUESTIONED

Tel Aviv HA'ARETZ in Hebrew 24 Sep 85 p 9

[Article by Avraham Tal: "The Deceptive Poverty Line"]

[Text] This year Social Security was very early with the publication of the poverty incidence data for its yearly survey, which normally appears at a later date. The figures in question are based on the findings of the 1984 income survey for wage-earners; they apply to the years 1983 and 1984, taking averages for the beginning of 1984. According to these figures, the number of families of wage-earners living below the poverty lines has increased from 47,000 to approximately 62,000, and the percentage of such families has increased from 8.2 percent to 10.1 percent of wage-earner families.

What is "poverty," and who is "poor?" The Social Security employs a system called "relative," according to which poverty is a living standard considerably below the average living standard in the society. The Social Security has for practical purposes divided the salaried population into two numerically equal groups according to gross pay, including allowances; the median (or dividing) income that divides between the two groups is the point of reference for calculating the poverty line. Naturally, poverty is a function of the number of family members, and therefore this factor must be taken into consideration. For example, the poverty line for a three-members family is almost exactly equal to the median salary. The poverty line for a four-members family is some 30 percent higher than the median salary.

Any poverty line is arbitrary, and the ruling that a salaried family with four members must have an income at least 30 percent higher than the median salary in order not to be considered poor was adopted by Social Security and Academy welfare experts according to their considerations and outlook. Someone else may think that a family with four members is to be considered poor only if its income falls below the median salary, and not otherwise; but the experts have decided that such a family would be considered poor as long as its income does not exceed by at least 30 percent the incomes of half of the salaried families in the economy.

According to those definitions, poverty is relative to the income level in the economy. In some countries, there is an exclusive or parallel "absolute" definition of poverty, based, for example, on income lower than what is needed



to purchase a certain minimum package of commodities and services. The "absolute" nature of the definition stems from the constancy of the value of this package in the short or even medium run, in real terms. Of course, the package can and must be periodically amended, something that is usually done in accordance with developments and trends in the society, and this introduces a relative element into the absolute system. Israel is one of the few countries that have adopted a purely relative system: the poverty line is a direct--and immediate--function of salaries in the economy.

If, for example, the salaries of all employees are doubled within 1 year, the poverty line is also doubled. Despite the enormous improvement in the situation of the poor, they would still be viewed as poor. The annual survey of the Social Security would probably deplore the fact that yet another year has passed in which the number of poor in Israel has not decreased.

On the other hand, if the income of all employees is eroded by 50 percent, the poverty line also drops by 50 percent. Despite the fact that the situation of many employees, who until then had been close to but still above the poverty line, would be 50 percent worse, and their income would be lower than the incomes of many of the previous year's poor, they would not be considered poor. Social Security could announce (although that is unlikely) that despite the difficult economic situation, the number of poor in Israel has not increased.

In reality, the factors that influence the poverty line and the number of poor are more complex than that, and they include, among others: the manner of income distribution among salaried categories (in the entire discussion, all the terms and data apply only to the salaried population), the structure and scope of social aid, taxes, and so forth. It would be interesting to ascertain what has happened to the poverty line and to the poor in the past 5-6 years (see table).

The table shows that the "poverty income" of a family with four members (i.e., the income below which the family would be considered poor) increased by a considerable percentage every year since 1980, by no less than a total of 40 percent between 1980 and 1984! While the real salary increased at times and dropped at other times, the poverty line rose steadily. Thousands of families, whose income had been substantially higher than the poverty income in the 1980-83 period, became poor in 1984, according to the Social Security definition, even if their condition improved. The number of poor families increased by 32 percent--in only 1 year.

It is to be assumed that the main reason for the rising poverty line was the change in the distribution of employee salaries in the economy, in the wake of which the salaries of categories with average and high incomes were raised, and the increase in the general level of salaries (one has to remember that the figures refer to 1983, too). And what about 1985?

It emerges from the Social Security data that the poverty income for a four-member family dropped in August 1985 by about 30 percent as compared to January 1984. The main reason for that is known: the acute erosion of salaries in the past months diminished the median income, too, which is the basis for

calculating the poverty line. Naturally, such a sharp drop in the poverty line caused thousands of families (and perhaps tens of thousands) who were considered poor according to the 1984 data, to be no longer viewed as such in 1985, a year in which conditions worsened, for obvious reasons.

The publication of the data attesting to the increase in the incidence of poverty in the years 1983 and 1984 can be very useful for 1985, when the situation of poor families indeed deteriorated--not in relative, but in absolute terms. And indeed, Social Security is demanding energetic steps in the area of minimum pay, allowances, and taxes for families with few children and low income, on the basis of 1983 and 1984 data. This, however, may appear as a rather strange demand if it emerges, as it is expected, that according to the Social Security definitions, the incidence of poverty decreased in 1985--in keeping with the new drop in the poverty line.

Thus, the definition of the poverty line must be reconsidered, and a new definition must be sought, that would perhaps not accord with the latest fashions among theory teachers in social work schools, but would also not lead to groundless cyclical results: rapid rise in the poverty line and illogical appeasement of the poor in good years, and drop in the poverty line and cuts in the numbers of the poor in bad years.

"Poverty Income" for a Family of Four, and the Number of Families Below the  
"Poverty Line"

January of	Monthly "Poverty Income" in 8/85 prices	Percentage Change	Change in Real Average Monthly Pay	Number of Families Below the Poverty Line
1980	503,000 sh			45,900
1981	544,000 sh	+ 8.2	+11	43,800
1982	578,000	+ 6.3	- 1	46,500
1983	634,000	+ 9.7	+ 4.9	47,000
1984	705,00	+11.2	- 2.7	61,900
1985(Aug)	490,000			

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ISRAEL

NEED FOR GOVERNMENT RECOGNITION OF MUSLIMS

Tel Aviv HA'ARETZ in Hebrew 8 Sep 85 p 9

[Article by 'Atallah Mansur: "No Government Recognition of the Muslim Community"]

[Text] The third assembly, since the establishment of the state, for discussing the problems of the Muslim community in Israel was opened yesterday in Nazareth. At the end of the fifties the first national assembly on Muslim problems in Israel took place. The Arab communists, in accordance with their tradition, tried to use the Muslim's distress to create the impression that the Israeli Communist Party--RAKAH takes care of the affairs of the oppressed. The late Tahir al-Fahum was elected by that assembly as the secretary of the "Muslim Committee." However, the main problem was neglected and forgotten: the absence of government recognition of the Muslims as a religious community which is entitled to manage its affairs independently. In the absence of such recognition, the Muslims are not allowed to select or appoint national institutions. A governmental committee appoints their religious leaders for them. Only the Ministry of Religious Affairs can allow a Muslim to present a sermon to Muslim worshippers or to determine who will lead them in prayers. That Muslim department in the office of Dr Burg (a member of NRP) decides the identity of the Muslim qadi (judge), and also decides who is permitted to revoke divorces or conduct marriage ceremonies.

The communists, who have reservations and are worried over the movement of young Muslims to fundamentalism, are presently in a vexing situation. The objective conditions constitute fertile ground for agitation, but the success of the struggle and the granting of autonomy to the Muslim Committee in managing religious funds could constitute a dangerous focus as far as the Communist Party is concerned. In this framework, the inactivity in this area for 20 years up until the second assembly in the fall of 1977 can be explained. The secretary of the previous committee, who died in the meantime, and was replaced 8 years ago by Mahmud Ni'mana ('Arava) as chairman and Muhammad Zaydan (Kafr Manda) was elected as secretary--again the matter was forgotten and returned to lethargy at the national level. On the local level during the last decade, a few action committees sprang up. In Yafo, a public struggle took place, which brought about the return of the Hasan Bey Waqf Mosque from the hands of a builder who had planned to turn it into a commercial market. In Haifa, an "initiative committee"

raised havoc over "development works" that were done in Muslim cemeteries and succeeded in freezing building plans in the cemeteries. In Nazareth, a Muslim committee sprang up which organized aid activities for the needy and the levying of taxes, which are obligatory for a Muslim according to his religion. In Umm el-Fahm, Muslim success was even more impressive. A local committee established a mosque for high school students, awnings in bus stations (with separations of the sexes!) and even paid advances to the local authority workers, who had not received their pay for 4 months, to enable them to celebrate 'Id al-Adha with their families.

Also, in many other villages, Muslim activities, which are organized under local initiative and whose aim is religious-communal, are apparent. Members of the "General Muslim Committee"--Nismana (a Progressive List activist) and Muhammad Zaydan (HADASH), succeeded in bringing many to join their initiative for holding the Second Muslim Congress, something which stimulated elected officials to show that they are not indifferent to the matter. Several meetings took place, with the participation of ministers and general secretaries. Ezer Weizmann, his senior advisor, Dr Josef Ginat, and representatives of the treasury and the Ministry of Religious Affairs participated in the discussions. They noted as worthwhile the decision, among others, to recognize Muslim religious leaders as government employees, as of the beginning of the civil year, with full rights, and to stop the demeaning "tradition," according to which these people would receive their wages as a "grant" without recognition and assurance of social benefits.

Dr Burg reacted positively in the matter of establishing a religious track in the Arab Comprehensive School in 'Akko. Muslim students who so desire can receive intensive religious education in al-Jazar Mosque in 'Akko. The experiment of sending young Muslims to Egypt failed. The Egyptians feared that their presence among the radical Muslim youth would result in negative consequences. Scores of young Muslims who left during the past decade to study in Nablus and Hebron were influenced in a radical manner by their experiences in the territories.

Prime Minister Shimon Peres was also asked about the issue of the Muslim Community and the coming congress. In his visit 2 weeks ago to the home of Knesset member 'Abd-al-Wahab Darusha (on the occasion of the "Id al-Adha feast), he promised to speed up the release of the Muslim religious trusts that can be given up and to hand them over to "a committee of Muslim trustees." These trustees, until recently, were appointed by a public governmental committee selected by the prime minister's office. In the future, the prime minister promised, the trustees will be appointed by a committee consisting mainly of Muslims. The prime minister did not say who will appoint that committee and on what basis. On the other hand, he said that he agreed with the treasury representatives on a meaningful increase next year in the sum allocated from the income of the Muslim grants for purposes of charity and religious services for the Muslim community.



However, this promise by the prime minister cannot excite the initiators of the "Muslim Congress." Muhammad Zaydan says that the property of Muslim waqfs covers over a million dunams of agricultural land, thousand of stores, apartments and building lots in the cities. This property is owned by the Muslim community to manage this property and enjoys its fruits. Income from this property will be enough to pay the wages of religious leaders, build new mosques, renovate existing ones, and establish educational institutions, orphanages and old-age homes.

A committee of director generals of government offices, headed by Avraham Tamir, the director-general of the prime minister's office, established a subcommittee for planning in the Arab section. Ministers Ezer Weizmann and Gad Ya'qobi, in coordination with senior officials and senior representatives of government offices which deals with matters of education, employment, industrialization, and local government, met and decided upon a permanent committee which will order planning work for purposes of developing services in the Arab sector and the inclusion of this sector in the map of the nation. It was decided that the authority for economic planning will serve the subcommittee and in a few months will begin by preparing surveys and determining priorities. This indeed has come late but it is certainly an additional step which testifies that the government finally has noticed the existence of the Arabs as citizens of the country.

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ISRAEL

EXPERT DISCUSSES ISRAELI ARAB COMMUNITY'S PROBLEMS

Tel Aviv BAMAHAHE in Hebrew 16 Oct 85 p 16

[Article by Aran Rolnik: "Life as a Minority"]

[Text] Again, terrorism puts democracy to a test. Between hammer and anvil, between waves of terror and waves of racism stand the Israeli Arabs. Israeli Arabs are paying a very high price lately for their problematic position among Israeli Jews. They have almost succeeded in adjusting to their problematic position in the Arab world.

"No person and no group has complete ownership of the minority's experiences," says General Hareven, one of the directors of the Van Leer Institute in Jerusalem, "and actually, almost every person experiences being some kind of a minority. The question about the mutual relations between the Jewish majority and the non-Jewish minority could therefore become one of the critical questions to face the coming generation."

"For a whole generation since 1948, we used to call our relationship with the Arabs as the Arab-Israeli conflict. The conflict situation with all of our Arab neighbors colored our basis for relating to all Arabs with suspicion, in a paradoxical manner," says Hareven. "A situation of total conflict, where all are enemies, grants more security, since with the other perception there is uncertainty."

The other perception requires a certain effort. It requires changes in the habits which were legitimate up to 30 years ago. Changes in habits, according to Hareven, require differentiation. However, in a period in which we are in the midst of a differentiation process in our relationship with various Arab states and factors, the problem of our relationship with the Israeli-Arab minority becomes more acute.

"Israeli Arabs," says Hareven, "are characterized first and foremost by being citizens of the country. According to the law of the country, they enjoy equality of citizenship rights, at least from a legal standpoint. On the practical side the law is not carried out equally in all areas. Another fact is that 75 percent of Israeli Arabs were born since 1948. This fact constitutes an inseparable part of their life experiences and therefore also of their identity. Whether they want it or not, whether we want it or not, they grew up as an Arab minority in a state with a Jewish majority and they acquired their education in schools which are part of the Israeli school system.

To narrow the gap between the relationship of the Israeli Jews and the Israeli Arabs and between the Israeli law on the matter as it was drafted first in the Proclamation of Independence ("The state of Israel will offer complete social and political equality to all of its citizens, with no religious, racial, or sexual differences, and will guarantee freedom of religion, conscience, education and culture), it is necessary to neutralize a few factors which make it difficult for many to determine a logical position on the matter. The same factors, as it turns out, also cloud a few of the findings of the latest surveys which were conducted on the topic of democracy. There was someone who promised the citizens of Giv'atayim that the same factors will threaten the very existence of their city.

"Many of the young people (those who were born after 1965), says Hareven, "do not differentiate at all between Israeli Arabs and the Arabs of the territories. The Israeli school system did not deal with the question of Jewish-Arab relations for 30 years. Thus, a situation was created where positions were taken on the basis of ignorance and prejudice."

"The absence of an attitude of differentiation is in our soul. A danger lies in our inability to differentiate, since a small nation has to show a lot of resourcefulness in its relationships with its neighbors. The margins that a small nation has are smaller than the margins that a large nation can afford to maneuver with on its mistakes."

Many Jews have a long way to go to develop a different position for themselves in their attitude toward Israeli Arabs before they need costly and difficult moral arguments. There is no doubt also that the following sentence, taken from a series of textbooks about the "Good Earth," which is used by the religious schools, does not allow for a recognizable short cut in the formulation of these positions: "Arab and Jew sitting under the same tree is a Utopia of Zionist development," or "The Arabs have no roots in the country, they are sitting under trees which they did not plant." These sentences and others are scattered in the textbooks of the young generation and do not enable them to develop this attitude of differentiation.

An additional factor which will help neutralize the defense rationale in the undemocratic positions toward the Israeli Arabs is the findings of the defense forces, according to which 99.9 percent of the Israeli Arabs never harmed the country or its security. The Arab minority is in internal turmoil regarding its demands upon the Jewish majority. It is also in a dispute with the dominant Jewish majority, but this dispute is about basic questions stemming from the actual desire of the Arabs to live in co-existence. "The solution for its problems," says Hareven, "the Arab minority is searching for in Israel and not outside it."

Despite all that was said above, the latest survey about democracy in Israel, which was commissioned by the Van Leer Institute, confirms that the correlation between the position of the Jewish public towards Israeli Arabs and its positions towards the Arabs of the territories is high.

The survey also determines that when the attitude toward the Arabs is concerned, the percentage of those who hold anti-democratic opinions increase to half of those interviewed. "In its position toward Israeli Arabs, the Jewish public is divided into three groups," Hareven explains. "About 15 percent of the public attributes negative qualities to the Arabs, about 13 percent attributes positive qualities to the Arabs, and the majority, about 70 percent, is ambivalent in its attitude toward Israeli Arabs," claims Hareven. "A portion is in the extreme on the relationship between Arabs and Jews as a result of the waves of terror. Experience throughout the entire world shows that events with strong emotional meaning strikes a cord in that group which usually wavers and thus the ambivalent majority turns in this or that direction. These are people whose value concepts are not definite and who hold contradictory values."

In this matter the survey revealed another finding of dual values: There are those who are willing to be democratic in their attitudes toward one part of the population and are not willing to be democratic in their attitudes toward the other part. According to Hareven, this finding testifies to the weakness of the educational system on the entire subject of the mutual relationship between Arabs and Jews. "The difficult question with which educators have to wrestle," says Hareven, "is not simply how to educate for democracy. The question is how to educate to wrestle with difficult problems in reality, on the basis of unequivocal value systems: respecting every person even when he is different from us."

On the relationship between nationalism and anti-democratic positions (the survey shows that the percentage who express anti-democratic opinions among those who are for annexing Judaea and Samaria is higher than among those who are for territorial compromise), says Hareven, "There is a certain tension between the basic perceptions of values of democracy and equality to that of nationalist or nationalist rights perceptions. The question is how much one perception can or must come at the expense of the other."

In Hareven's answer to that question, comfort can be found even for those for whom the thought about the weakening of democracy will not let them sleep. "From a survival standpoint, it is worthwhile for a small nation to have relationships with as many groups as possible. If we treat all Arabs as our enemies, we will make it easier for them to form a coalition against us."

[Box on p 16]

Yosi Ginat, Weizmann's aide, testifies that Israeli Arabs do not see their problem in the Palestinian problem.

The position of the prime minister's adviser for Arab affairs does not exist anymore. There were those who claimed that there is no need for such a position since it constitutes an expression of discrimination against Israeli Arabs.



Those who favor such a position claim that even if it constitutes a symbol of discrimination, one cannot overlook the uniqueness of the problems which Israeli Arabs as a national minority face. The position was abolished. The problems are burning and a minister was put in charge of them.

Professor Ginat, the head of the Department of Israeli Studies at Haifa University, is Ezer Weizmann's adviser on Israeli Arab affairs.

Professor Ginat wears two hats, an academic hat and a governmental hat. The burning problems in Jewish-Arab relations require great speed in putting on and taking off each of the hats. While wearing the academic hat, Professor Ginat is an expert on all the details of the problems of the Israeli Arabs. He confirms that the extremism in Jewish-Arab relationships is accompanied by frightening results in democracy surveys and that the Jewish public is unable to differentiate between Israeli Arabs and the Arabs of the territories.

Ginat observes: "The distinction between Israeli Arabs and the territories' Arabs is clear. Israeli Arabs are not parties to the latest wave of terrorism and the Defense Forces know it. The Israeli Arabs do not even view the Palestinian problem as their problem, although there are also terrorist groups among them, such as the religious extremists who claim that there has to be a Palestinian state from the sea to the desert. (This claim is completely different than Arafat's demand.) One should differentiate between Palestinian nationalism and local nationalism. The nationalism which is developing among Israeli Arabs stems from frustration with their minority position. Problems such as poor sanitary conditions in Arab communities, education and poor relations with the Jews constitute a catalyst for local nationalism."

Ginat notes that the problem of the Israeli Arabs is greater than that of the Arabs of the territories. "The feeling of temporariness characterizes the Arabs of the territories," he says. "Israeli Arabs do not have this feeling due to their being citizens of the country. The source of the problem is in the negative stereotypes: If there were more meeting between Arabs and Jews, we could have solved part of the infection which is spreading in the public among students and adults. For that purpose, we established a Jewish-Arab fellowship. On the last trip to Germany, we raised 2 million marks which we plan to use for establishing meetings between Arabs and Jews. Part of the money will also be used for raising the level of technological education in the Arab sector. In this way we will blunt the sting of frustration which threatens our relationship with the Arabs. We have to intensify the activities in these directions," summarizes Professor Ginat.

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ISRAEL.

#### LOW QUALITY OF ARAB PRESS IN GAZA REVIEWED

Jerusalem AL-BAYADIR AL-SIYASI in Arabic 24 Aug 85 pp 53-56

[Article by Muhammad Salim al-Mashukhi: "Problems of the Press and Journalists in the Gaza Strip"]

[Text] When we talk about the press in the Gaza Strip, it is necessary to go back to this press' historic background. The first journal, a newspaper titled SAWT AL-HAQQ, was issued in the city of Gaza in 1927 by the lawyer Fahmi al-Husayni. It came out twice monthly in half-size and had its own presses in the al-Darj section in the middle of the city.

Another magazine was then issued along with it titled AL-HUQUQ magazine, specializing in legal issues and legal references. The lawyer Fawzi al-Dajani worked on it. It lasted for a substantial period, until World War Two broke out, but there was no newspaper worth mentioning in the strip until after 1948, when a number of papers were issued in the fifties. The newspaper GHAZZAH appeared in 1954 and lasted until 1962. It was issued weekly in half-size, in four pages. Its editor in chief was Khamis Abu Sha'ban. The weekly newspaper AL-SARAAH then came out, also half-size, issued by the National Club under the supervision of the late Hilmi al-Saga.

The weekly newspaper AL-LIWA' appeared in half-size, with Dr Salih Matar as its editor in chief, in addition to the paper AL-RAQIB, supervised by the late Shaykh 'Abdallah al-'Ilmi, which was a weekly. Then there was the newspaper AL-WATAN AL-'ARABI issued by Al-Hajj Rashad al-Shawa.

The first daily newspaper of political events was issued in Gaza by name of AL-TAHRIR in the second half of 1958. The lawyer Zuhayr al-Rayyis was its editor in chief and Mr Muhammad Al Radwan was managing editor. It had property, its printing was offset in half-size, in four pages, and its circulation was 500 to 600 copies a day. It then developed into an expanded weekly with the participation of the Egyptian Akhbar al-Yawm Publishing House and then carried the name AKHBAR FALASTIN. The Egyptians contributed half the capital and had some supervision. The lawyer Zuhayr al-Rayyis stayed on as the editor in chief and Muhammad Al Radwan as the managing editor. This journal was established as a complete press organization and had all the specialized departments in terms of management, circulation, editing and

advertising. It had three sections, for women, sports and workers, a section for listening and another for Hebrew translation, a section for journalistic production and a department for Palestinian research. A cartoonist took his place in the paper and the famous Palestinian artist Isma'il Shamut drew in it. It also had a press photographer and a calligrapher.

For the first time in the history of the strip, it used zincographic printing, since the first zincography and intertype shop had come into the strip. In addition, the automatic communications system, "teleprinter," was introduced and the journalistic profession began to appear in its currently well known form. In that period, a large number of journalists appeared such as Bakr 'Uwaydah, Zayn al-'Abidin al-Husayni, Usamah Sharab, Hasib al-Qadi, Mazin al-Shawa, Isma'il 'Ashur the cartoonist, Mu'in Basisu and Randah Abu Ghazalah. The Egyptian writer Muhammad Jalal Kishk wrote in it continually and it had a large number of local correspondents, nearly 20 in all, in addition to its correspondents abroad, for instance in Kuwait, Cairo and Algeria. It has about 100 employees in the form of editors, people working in printing, management, circulation and advertising and correspondents. It was weekly and of the normal size of 12 pages. Its circulation came to 10,000 copies a week. At that time the Gaza Strip's population was no more than 365,000. This paper continued to come out until 1965, when it became property of the Palestine Liberation Organization, while the editorial board remained as it was, and it continued to come out Monday of every week until the last issue appeared on 5 June 1967, the day the Israeli occupation of the strip began. As soon as the occupation came into Gaza, the authorities confiscated all the property of the journal, on grounds that it was a journal owned by a hostile organization.

Before 1967, the magazine AL-'AWDAH also appeared; the Palestine National Federation made expenditures on this in 1958. It had an editorial board including Ramiz Fakhir, the late Munir al-Rayyis, 'Awni Abu Ramadan and Dawud al-Sayigh. 'Awni Abu Ramadan was its editor in chief. It came out monthly, in color, and was printed in Cairo in ordinary magazine size. It cost 5 piasters.

#### The Press in the Gaza Strip after the Occupation

After the occupation, the authorities refused to grant a permit for the issuance of magazines of political events. They just granted permits for the issuance of a children's magazine!

After some attempts, the lawyer Zuhayr al-Rayyis issued the magazine AL-'ULUM, and, after that, AL-USBU' AL-JADID. They were printed in Jerusalem and then were suspended, due to a number of factors, the most important of which was that they were of limited circulation and consequently did not make an effective contribution to cultural and literary activity. Muhammad Khass issued the magazine AL-SHURUQ in 1978. This was turned into a weekly publication, and then came out every 2 weeks. It was reissued in the form of a monthly magazine, then a weekly [appearing] every Saturday. Although it still comes out, it has not been graced with better luck than those which preceded it in terms of circulation or effectiveness.

At the beginning of July this year, the lawyer Zuhayr al-Rayyis brought out the magazine AL-MAWQIF, printed in Jerusalem in a weekly form, for the time being at half-size. This has made the Gaza Strip depend on daily papers issued in Jerusalem which had permits for distribution in the Strip, in the case of the newspapers AL-QUDS, AL-SHA'B, AL-FAJR and AL-MITHAQ. Although the population of the Gaza Strip according to the latest census came to 550,000, the total number of copies of the four daily papers distributed does not exceed 3,000 a day. Here we must point out that UNESCO has set a minimum of 10 copies for a daily newspaper, along with five radio stations, two movie theater seats and two television sets, per 100 readers. Thus we find that the press circulation in the Gaza Strip will need numerous stages to reach the minimum UNESCO has stipulated.

In this report, we will attempt to learn about the reasons which have led her highness to attain low status within the reading public, especially in the Gaza Strip, whose weekly markets come to more than 40 Egyptian magazines and newspapers in addition to our local press. These Egyptian newspapers and magazines have acquired regular readers; examples are the weekly magazine AKHIR SA'AH, HAWA', AL-KAWAKIB, AL-MUSAWWAR, UKTUBAR, ROSE AL-YUSUF, MIKI, SAMIR, AL-AHLI, AL-NAS, the newspapers AL-WAFD, AL-AHALI, AL-SHA'B, AL-AHRAR, AL-NUR, AL-AHRAM, AL-AKHBAR, AL-JUMHURIYAH, the magazine TABIBAK AL-KHASS, the magazine AL-SHI'R, AL-NAQD, AL-ADAB, AL-BALAGH, AL-NASIR and so forth.

#### Our Press and the Extent to Which It Performs Its Functions

Before talking about the extent to which our press performs its functions, it is necessary to answer the following questions:

1. Is the mediocre level of distribution of our newspapers attributable to their alienation from their objectives?
2. Have the other media, in the form of the radio and television, put the press in last place among the media?
3. Is it political factors, most important of which is the censorship the press is subject to prior to publication, that keep them from performing their duty as thoroughly as possible?
4. Or is it economic circumstances, the rise in the prices of papers and the inflation which has gone on in face of the unemployment our people are suffering from that are behind that?
5. Is it the policy and management of the papers themselves, which have not respected the readers and have not offered them the service that must be provided? In addition, the papers have not guaranteed channels for good press coverage.
6. Do the form and output of the papers have an effect in attracting readers?
7. Is there a shortcoming in the necessary journalists' coverage of events and commentary on them and the provision of the studies the reader needs here?



8. Or do the causes of the mediocre level of distribution lie behind the distribution policy our newspapers are following?

First: On the extent to which our press responds to its functions, we find our newspapers deficient in ongoing specialized studies and regular daily columns, or even objective analysis of the events of the hour. Here, some of our papers lack the function of enlightening and also creating interest, and the papers continue to preserve the function of providing information alone. Even the function of providing diversion, such as cartoons produced by specialized professional artists who with their drawings follow up on the events and life of the street and institutions in the occupied territories, does not exist in our papers; the function of diversion is restricted to crossword puzzles which usually are remote from their second goal, which is to provide enlightenment in addition to diversion so that the people who create words have their public.

Second: with respect to the influence of the other media, in the form of radio and television, on the role of the press, in spite of the followup on diverse radio news and television news for which our people are famous, it is a fact that the press continues to have its importance in terms of following up on this news, commenting on it and elaborating on the recitation of details from all angles, and it continues to be the copious vessel which contains what radio and television are incapable of dealing with. Our stage is full of events which meet with no interest from these media, and here I do not believe that the poor influence and distribution of our press can be attributed to the dominance of the other media!

Third: Concerning the censorship to which our papers are subject prior to publication, what our papers lack is a public of readers. No matter how great might be the effect of this censorship, which is diverse, be it press self-censorship, censorship by the editor in chief of the press and material which either is or is not suitable for publication, or the third censorship, which is the most important one, the one with a sharp scalpel which often prevents the conveyance of ideas and analyses or even news which is of concern at all times to the public which the authorities perform on our papers, here we might mention the statement by the French leader Herriot "When anxiety, threats or fear prevail, free opinion is lacking."

Or, "You can think only at the pleasure of the king," as the French thinker Voltaire philosophized. This censorship alone is not to be considered an adequate justification for the papers' deficiency in performing their tasks vis-a-vis the reader, although it is the hook on which the papers hang their justifications to the reader. There are numerous subjects any one of which can be presented from a number of angles which ultimately realize the desired objective. There also are many subjects and problems touching upon the people which nonetheless some papers find will in some way in effect influence the status of their exalted nature if they raise them, though they are far from the censor's scalpel. There are numerous subjects which are of interest on many occasions to people whose destiny is the wastebasket. When the people responsible for newspapers are asked about them, the answer is "It is the censorship which has prohibited them." Censorship, no matter how serious it is as far as the publication process goes and no matter how it

violates the most minor human rights regarding opinion and expression, is not an adequate cause for the mediocrity of our press. We are not the first people to live under the circumstances of occupation and the stifling of free speech in their midst. Many peoples staggered for long periods in the shadow of occupation and their press was subject to the repression we are observing now, but the press did not lose its effectiveness and its broad circulation in spite of that. The Algerian newspaper AL-MU'JAHID is one of the examples nearest at hand.

Fourth: As far as economic circumstances go -- the prices of papers or newsprint or the unemployment our people are suffering from -- this also is not in itself a reason which would have the effect of making a single copy of the daily papers account for 183 persons in the Gaza Strip. This in its turn shows the extent of the relationship between the reader and the journal and it also shows our papers' inability to create a steady, addicted reader on whom the sun does not set before he at least reads the paper, which to him is in effect a breakfast. If the papers realize or create this steady, addicted reader, the economic elements of the breakfast will have no effect on the purchase of the newspaper.

Fifth: In responding to the papers' policy, management and respect for the readers, we find that the objective which has dominated some papers' policy is a purely commercial one and one of maintaining continuous output without loss. Here we might mention the African countries and Egypt during the stages of the struggle against colonialism. Journals and political bulletins played a basic role and were the initial nucleus around which the political parties the national movements formed polarized. Most leaders of African national liberation movements started their political struggle in the area of the media as editors in papers and nationalist publications, for instance Mustafa Kamil in Egypt, Jomo Kenyatta in Kenya, Namidi Izikue in West Africa, Julius Nyerere in Tanzania, President Leopold Senghor in Senegal and Nkruma in Ghana. The press was oriented toward the realization of collective goals and it also contributed to thinking about unity with respect to national causes. Political articles played their part and the press was conscripted to serve a lofty purpose, which was the national cause and not just an industry, vocation or business. That is what some of our papers have been lacking so far, in spite of the technological progress which has been taking place in the journalism industry now.

Sixth: Concerning the form of papers, from the standpoint of newsprint or production and printing, we find that the art of production generally has an influential role in attracting the reader, especially on the front pages, which are almost dead here, lacking in movement, containing repeated pictures of certain events or lacking any pictures whatever, while having no element of balance in layout, whether in terms of news or of pictures. We might single out for mention the front page, which has primary importance in attracting readers. Pictures of deceased people for obituaries or other announcements are put at the bottom of the page, and on some pages these have encroached to the point where they almost divide the front page in half. This prompts the reader to imagine that they are just publicity bulletins performing a commercial duty although they have received permits for distribution as daily newspapers of political events with photographs!

This is in addition to the poor items of news which rapidly come into the hands of the reader with repeated typographical errors. This means that these papers choose workers who are not proficient in the process of typesetting or layout, and the reader is often exposed to certain outrageous typographical errors which may result in twisting the contents around. In addition, headlines are sometimes set in broad type two columns wide for a small item taking up no more than 10 centimeters of space on a single column, and columns are set on a single level, which results in killing the items. Sometimes the process of linking news items related to a single subject is not carried out, and the items are not set in a single piece or even on a single column with different titles. Indeed, we find one on the right of a page and the other on the far left!

Seventh: With respect to journalists' coverage of events in the Gaza Strip, the papers' communication of them and the provision of studies, analyses and other things affecting the lives of citizens, if there are certain shortcomings they may be attributed to the papers' view of these correspondents as reporters occupying the lowest rank in the sources of news. Therefore the papers often view professional journalists as a burden on themselves and consequently the journalists need fixed salaries which are in keeping with the efforts exerted in order to continue the job of providing the paper with all the events related to aspects of life which merit publication. In their place the papers choose some merchants and hobbyists who do not dare to demand their entitlements and rights because to them working as correspondents for papers itself is of secondary importance. Therefore, a purely commercial character dominates press coverage. This is also the responsibility of the papers themselves, though in the Gaza Strip there are many journalism graduates who have higher degrees but no jobs although they have not failed to knock on the door of every paper demanding a job and work, and those who have gone to work have not received their minimum rights in comparison with the dangers to which this profession, which is known as the profession of the search for difficulties, is prone. Indeed, the papers often fail to pay the minimum expenses which have been incurred for the sake of journalistic work on them. The average salary is just 50 dinars! We find journalists abandoning their original profession and going off to work in construction or the like in order to realize a minimum for the expenses and requirements of their lives. Thus they do not influence the paper, which does not feel any lack because of the absence of a given professional, since what concerns it is the commercial aspect. The country is full of merchants, reflecting the bad effect in press coverage, which, in turn, limits the number of readers and the effectiveness which is required of the press.

Eighth: With respect to the policy of diversification which our papers follow, this also is one of the main reasons which have led to the decline in the average number of readers in the strip. As well as concentrating on the three main towns, Gaza, Khanyunus and Rafah, as well as Jabaliya, the papers pretend not to notice what is represented by 30 percent of the central and north Gaza camps; no newspaper even reaches the outskirts and villages of the city on most occasions. This is in addition to the papers' grant of agencies to merchants, grocers or office proprietors who they know are working as agents for other papers. They may give them a pass which bears the description of correspondent, and consequently they are agents and

correspondents for more than one paper and news agency, in spite of the vast contradictions in the policies of two papers such as AL-QUDS and AL-MITHAQ, for example.

Since these agent-correspondents receive a salary from distribution and get 30 percent of the price of each copy, in addition to what they receive from advertising, which is also 30 percent, their tendency and incentive naturally will be to market the paper with the higher price and eliminate the paper with the lower price until the more expensive paper is sold out. Here we consider that our press must remedy this sort of policy, since business has priority among these agent-correspondents and they are not prepared to open distribution outlets in the city which might divert them from their main business for a while.

#### Views of Newspaper Readers in the Gaza Strip

The lawyer Khalid al-Qadrah said, "Ours is a press of circumstances and is to a large extent restricted to the continuation of these circumstances as time goes on. Although I consider that to be the correspondents' responsibility, there the responsibility remains that of the choice by the paper's management of correspondents who have competence in providing coverage and choosing what is in keeping with the requirements of our society." He added, "We need constant searches for information concerning our life which is not based on foreign events only, and concerning everyday practices here domestically. We want a committed, thinking press. I am not living in the context of a regime. What concerns me is that my combative course is continuing and being supported. Our press is commercial and represents shades which do not reflect what they ought to be in the occupied territories. Indeed, they are not a mirror of hopes and are lacking in goals. Some of them are party papers, some are commercial and others follow the middle road. We inside the country, partners in hope and suffering, need to have the domestic press struggle for the sake of unity within so that it may provide a model for our people outside."

Concerning the press, the journalist Muhammad Al Ramadan said: "Our press performs its functions but in a very limited way. The distribution of papers, for example, is not at all in keeping with the population and the number of newspaper readers is small. We cannot consider this to be the public, and consequently we do not consider the press to have influence on public opinion. For example, the newspaper AL-QUDS distributes about 7,000 copies, the highest average, but when compared to 1.5 million people it is to be considered the lowest rate of distribution in the world, even in the backward countries. This may be ascribed to the papers' failure to offer an important informational service to the local reader. Our papers still rely on other papers with respect to the articles and research they publish. Therefore, the substance of our press does not attract readers to read the papers, which is a problem of the papers, not the readers."

Abu Zaki added, "No successful journalistic writer or press news analyst has appeared in the occupied areas, and local news coverage remains very weak. Indeed, it is almost lacking." Concerning the form of the press, he said, "Form alone is not enough to sell a paper, although that is one of the



conditions of a successful paper. This has become acceptable, but the substance is more important and our press must offer local news service, articles and research and concern itself with the citizens' daily problems, which require professional editors who are concerned with daily problems in order to respond to the citizens' needs."

Mr Muhammad Al Ramadan specified the state our press should be in by saying "There must be an excellent professional editing system, a professional distribution system, a professional production section and a professional advertising system. A real press institution, with its technical structure, does not exist here. Every successful newspaper must have three things available to it, first, a journalistic editorial system, starting with the correspondent, the journalist, the editor and everything related to editing, second, sound journalistic production and everything related to the execution of the paper in form, printing, photographs and artwork, and third, press management, such as distribution, advertising and financial supervision. None of these things are available to us. In my opinion, a good reporter is much more valuable than a good writer of articles."

Another reader said, "I believe that our press is playing a good role in the context of the existing data, and I also believe that news coverage must improve to cover all areas. The strip's share of journalistic coverage is limited and it needs greater coverage than what is available now. I am against putting obituaries on the front page and I hope that our press will emulate some newspapers in other countries. In spite of the correspondents' mediocre resources, they are doing their duty, and we hope that they will be enabled and supplied with greater resources so that they will be able to perform their duty as thoroughly as possible. The Arab press in the occupied territories is working under difficult circumstances and in the context of limited resources, and it needs greater resources. For example, the newspapers must have correspondents in the major capitals of the world, not to talk about the restrictions imposed on all sides."

The journalist Ibrahim al-Za'anin said "Obituaries on the front pages are to be rejected. The format in which the papers come out are rigid (bureaucratic). We find that the front page in many cases is lifeless and needs pictures. This method of production is similar to the style of books which lack attractiveness for the reader." Concerning printing, he said "The poor news items which come to people's hands have their effect on purchases. Most papers have repetitive policies. In addition the introverted nature of papers with specific views and ideas is also one of the poor features of our press. The press is supposed to be published on behalf of all orientations and requires a process of rejuvenation of personalities so that the press will be an area of quiet, comprehensive, democratic dialogue. In addition there is the sudden change in the papers' policies -- more readers in exchange for lower earnings! Our newspapers are supposed to concern themselves with local news and highlight that on the front page. Here, the opposite is the case. The reader is more concerned with local news but as far as putting obituaries on the front page of the newspaper goes, that is to be rejected. It gives a more commercial impression, especially in newspapers of political events."

Al-Za'anin added "There are no objective intellectual sections in the papers. Most of the writing is of a mixed literary style and needs a journalistic style which possesses attractiveness. There are no sports writers. The sports page, for example, is not comprehensive. We want special sections to be set aside for important, crucial issues and we want the political analyses to be in an elegant style."

Concerning the thoughts of correspondents in the strip and their papers' failure to provide coverage, Ibrahim defended that, stating "The correspondents in the strip do not receive their most minor rights. The organizations are deficient with respect to their rights. Recently, some papers have started to sympathize with correspondents' conditions in the strip and give them attention; the League of Correspondents gets the credit. We are faced with important problems from the authorities regarding their laws which are imposed on employees working in government organizations, requiring that they be prohibited from talking to the press, even as far as ordinary news which is beneficial to the society is concerned. The same style which the government departments follow also appears in some private organizations, although they are not governmental."

#### The Press Must Bring People's Views Closer Together

To Dr As'ad Abu Sharkh, the press must bring views closer together. He is a lecturer in the Islamic University and said "In our press there is boring repetition of unruly political cliches and a provocative, polemical style in political commentaries and the conveyance of news, that is, a lack of objectivity in analysis. Here the criticism must be calm and objective in a profound journalistic style, not in a superficial or vulgar style of provocation. The Palestinian press must exert its utmost effort to work to bring various views closer together, and not the contrary.

"Here there is also a severe deficiency in the coverage of news of the Gaza Strip and a severe deficiency in the necessary search for information, whether that is concerning the towns and villages of the strip or even the daily life of the inhabitants, that is, a deficiency in reports on organizations and also a deficiency in making studies on the psychological, social and economic conditions of the public in the strip, a deficiency in cartoons, poetry and attention to literature and even a deficiency in regard to what must be criticized.

"We need news of the world, especially concerning Palestinian expatriate communities and their activities in the world and successful Palestinians, which occurs almost every day, and others besides them. The West Bank's institutions receive greater attention and space, while the strip's institutions have not been given space in a similar manner. It is necessary to devote sections to young people's writing. I am against putting obituaries on the front pages of newspapers."

Concerning the work of correspondents here, Dr As'ad said, "What I have felt and sensed from these correspondents is that they do not receive any material or moral support in comparison with the work they perform, and that is reflected on their activity with their papers, which do not devote much attention to their conditions."

The lawyer 'Abd-al-Rahman Abu Nasr said "As far as our press goes, we cannot compare that with the international press but it is possible for us to measure it by the regional press in the Arab nation. The censorship imposed on it still has its effect on what is published. As a daily reader of the paper I sometimes cut out some articles of importance to keep and use the rest for other purposes for the home. I rarely keep the whole issue. Our press needs good articles, sound analysis, studies and specialized sections or pages. Our papers' front pages must be for important news, whether foreign or local, and not for advertisements, especially obituaries. I consider that putting those on the page facing the reader is unsound and it is necessary to set aside the inside and last pages for such advertisements."

#### Our Papers Are Copies of the Internally-Divided Arab Media

Muhammad 'Abd-al-Ra'uf Kallab said, "Our papers are copies of the internally-divided Arab media. Journalism, more than a profession, is the voice which expresses the conscience of the people and the podium in which are presented the repressed hopes and dreams of the man in the street which cannot be openly aired, so that he finds a kind of delight when he sees what he is suppressing within himself bursting forth on the pages of the newspapers.

"Our local papers unfortunately have not reflected the masses' suffering and have not had a true conscience expressing their hopes and pains. This may be ascribed to certain circumstances, among them the scissors of the military censor, which is something beyond their will, and things that are attributable to the papers themselves and the people working in the area of journalism. The result is papers which fail to reflect the conscience of the masses and fail to establish themselves as a self-reliant press. This has turned our press into manipulated tools and trumpets which are paid to take a specific position and direction, and this has caused them to succumb to contradictions in positions and appear on most occasions to lack positions. This has turned our newspapers into small companies which have only the objective of profit."

He continued, "They have not given concrete form to a real, stable national orientation or presented the man in the street with explanations and analyses of the problems facing him which are related to his life, especially political problems related to his destiny and his cause. Most of our papers are copies of the internally-divided Arab media. One paper tracks Radio Damascus in order to transmit its editorial statements verbatim and give them concrete form, while another waits to get its editorial statements by telephone from abroad, and so on, and ultimately our papers are turned into contradictory, conflicting trumpets subjecting the man in the street to contradictions and consequently causing him to be shaken -- who is telling the truth? Who is lying? Various Palestinians want to resolve the contradiction but cannot find an objective analysis, as a result of the lack of journalistic personnel possessing an analytical viewpoint, and in the end they turn to the horoscope page and find that their luck is repeatedly turned upside down!

"On looking at the people working in the press, we do not find that they are actually qualified as journalists; rather, they have entered the world of

the press through the door of cliques and patronage from so-and-so and the son of so-and-so, while we find dozens of media, journalism and political science graduates here in the Gaza Strip who cannot find an attentive eye and therefore the view and the confidence of the public in the strip regarding its local press has been shaken. In order for the press to have its readers and its influence, it must take into consideration:

"First, the independence of the press, so that the reader will feel that the press belongs to the whole nation.

"The papers must choose journalistic personnel who are have a connection to ability, not patronage.

"The papers must interest themselves in young writers and try to develop the spirit of objective analysis.

"There must be concentration on local subjects and a reduction in the process of quoting from foreign papers.

"There must be attention to the news of the Gaza Strip and its unemployed correspondents and journalistic personnel."

A correspondent for a well known paper in the strip who refused to mention his name out of fear for his job said, "The newspaper organizations do not perform their minimum obligations toward journalists and deal with journalists commercially. Therefore, the journalists continue to be lacking in loyalty toward the society in which they live; in particular, they have no ability to move about and transportation and photography is at their own expense. Journalistic reports, for example, need much time, effort, sacrifice on the part of some, and necessary money, the organizations, in their turn, do not provide them with the expenses for that, in spite of the importance of this reporting for the society and the readers, the process is limited to a semi-commercial relationship between the journalist and his paper, and it is the journalist who loses in the end.

"Our organizations justify this treatment on grounds of resources and the exorbitant losses they sustain for taxes, the authorities, newsprint and so forth and deal with journalists as distribution agents. One should bear in mind the vast difference between a distribution agent and a journalist. While there are people who perform journalistic work and distribution at the same time, the prime concern of this agent and journalist is distribution, that is, just material gain. They thus amount to journalists who often are lacking in the most modest goals and tasks of the real journalist who always goes after the truth and lives with the people in their sufferings and daily events -- indeed, they only look for commercial offices and call the owners of these offices correspondents who receive salaries equal to profits, same as any other commodity they have, by means of the papers."

Have Mercy on the Paper's Reader

Another correspondent said, "It is the papers' management which is deficient in our area in the Gaza Strip. The correspondents here are very active,



convey news and so forth rapidly and expose themselves to danger, while there in the papers' management they do not appreciate the journalist's circumstances or the news he sends them. Many articles and news items fit to print do not get attention -- rather, their fate is the wastebasket. Meanwhile, any minor item of news from the West Bank is published at once and receives much space. There is no moral encouragement from the papers or even material encouragement for correspondents; not even respect or good manners can be found in many instances of contact with the management of the newspapers. Indeed, there are employees who take a discontented view of us." This correspondent, who has been working in this profession for about 15 years, went on, "The low status of the readers of the papers here requires a re-planning operation and better attention to the reader. I excuse the reader who buys a paper and does not find anything to satisfy his desires, and I have compassion for him. If he buys any other commodity, better service is offered him, and if he pauses briefly before a shop to listen to the contents of the front page and on some occasions their congestion covering the lower half, he will wonder, how can the paper continue to come out, and where does the price of the luxury swivel chairs come from?"

In conclusion, this is the readers' position regarding the press in the Gaza Strip, and this also is the press' position regarding the readers, as shown in this report, where I have greatly abbreviated the opinions in light of space and other considerations, among them the sarcastic style to which our newspaper establishment is exposed. If this is the impression which is widespread among the current readers, with the exception of some citizens who have refused to give their opinions, since they have refrained from reading the papers for a long period, what is the position of the people in charge of these papers? Who is responsible for increasing the number of readers? Who can make this press act in order to perform its role proficiently according to the resources available? The press institution itself, the correspondent-agent, or the professional correspondent? We leave these answers to the people who are responsible for the creation of these questions!

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JORDAN

ACCOMPLISHMENTS OF COUNTRY'S 5-YEAR DEVELOPMENT PLAN REVIEWED

Beirut AL-IQTISAD WA AL-A'MAL in Arabic Sep 1985 pp 52-54

[Article: "Strategy of Jordan's 1986-90 Economic Development Plan"]

[Text] In the early 1980's, the Jordanian economy, like the other Arab and the international economies, was affected by the economic slowdown. This slowdown cast its shadows on most economic activities and had a negative impact on implementation of the 1981-85 5-year development plan. The most significant negative consequences of this slowdown are perhaps reflected in the noticeable and constant drop in the volume of Arab financial aid during the plan years, the narrowing of the export markets open to Jordanian products, and the slowdown in the growth rates of remittances from Jordanians working abroad.

A glance at the objectives of the 5-year development plan and at what has actually been achieved on the real ground demonstrates the following:

First, the plan sought to continue the developmental momentum and to increase the local product during the plan years by nearly 69 percent at the 1980 prices or by 11 percent a year, with this local product rising from 705 million dinars in 1980 to 1,193,000,000 dinars in 1985. By examining Chart 1, we find that the actual growth rate of the gross local product has been very close to the rates targeted by the plan, despite the failure of some economic sectors and their falling far behind the targeted growth rates. Other economic sectors have achieved rates higher than those expected by the plan.

Insofar as the agricultural sector is concerned, the actual annual growth rate amounted to 12.8 percent compared to 7.5 percent projected by the plan. There have been big fluctuations in this growth rates during the plan years, especially between 1982 and 1984. The agricultural sector's growth rate is expected to drop in 1985. These fluctuations can be attributed to the fact that Jordan's agricultural sector relies to a large degree on rainfall, as proven by the big fluctuations in most of the field crops and in other crops. It is noticed that the agriculture and irrigation sector's share of the investments of the previous development plans was somewhat modest. Whereas the investments for this sector in the 1976-80 plan amounted to nearly 14.6 percent, we find that these investments rose to nearly 22.9 percent in the 1981-85 plan. Meanwhile, we find that the investments channeled toward the industry, mining, and electricity sector have been much higher than those channeled toward the agriculture and irrigation sector, with these investments amounting to nearly 35.5 percent in 1976-80 plan and dropping to 28 percent in the 1981-85 plan.

There are questions concerning the strategy of the coming 1986-90 development plan for the agriculture and irrigation sector, considering that the government is devoting special attention to developing this sector which has declined, whether in terms of its contribution to the gross local product or in terms of the income it generates. What motivates the Jordanian government to devote this attention is the rapid increase in Jordan's imports of foodstuffs and agricultural products and the growing emigration from the countryside to the cities. Consequently, the course of this sector has become the captive of the incoming Arab and non-Arab labor which lacks knowledge of modern technical agricultural methods and which has led to reduced productivity. This has given rise to the question: Where does Jordan stand vis-a-vis the food security problem and what is the contribution made by this government in this regard? At a symposium held by 'Abd-al-Hamid Shuman Establishment in the first quarter of 1985, it became evident that the decline experienced by agricultural production and the negligence suffered by this sector dictate that immediate steps be taken to tackle this sector, either by increasing the irrigated acreage and introducing modern agricultural technology or by adopting the agricultural pattern of some parts of Jordan. Due to all these reasons, we believe that the volume of investments channeled toward this sector in the coming 5-year plan will be different from the investments allocated in previous plans, especially if we take into consideration the priority which the agricultural sector will occupy among the priorities of the new plan's objectives. Another point which can be noted regarding the agricultural sector is the relative constancy of its contribution to the gross local product. (Chart 2).

On the other hand, we find that the industry and mining sector has failed to achieve the growth rates targeted in the plan, with this sector's growth rate amounting to 13.7 percent during the 1981-85 period. It is expected that this rate will be achieved in 1985 because of the economic slowdown being experienced by Jordan and of the narrowing of the export markets, as we have already pointed out. This is in addition to faltering production by a number of Jordan's main industries and to the drop in the international prices of their products. By comparison, we find that the 1981-85 5-year plan set an annual growth rate target of 17.8 percent. It is noticed from the chart that this rate was achieved in 1981 only when the growth rate amounted to 24.6 percent. That year was characterized by noticeable economic activity, especially in terms of commodity and service exports which amounted in value to nearly 1,037,800,000 dinars, compared to 744.1 million dinars in 1980 and with an increase of 39.4 percent over 1980. This growth rate declined afterward to become negative in 1983. It is expected that this rate will improve in the next 2 years because Jordan's main industries, the most important of which are potash and fertilizers, have begun to produce. It is also expected that phosphate production will increase. It is noticed that the industry, mining, and electricity sector got the lion's share of the investments in Jordan's development plans, with total investments channeled toward this sector in the 1976-80 plan amounting to nearly 272 million dinars out of a grand total of 765 million dinars in investments. In the 1981-85 plan, a sum of 922.2 million dinars as allocated for this sector's investments out of a grand total of 3.3 billion dinars in investments. This increase in the volume of this sector's investments can be attributed to the increasing

financing requirements needed for a number of industries set up during the plan years, the most important being the potash industry and the chemical fertilizer industry. This is in addition to expansion in the production of phosphate and to the construction of a new cement production line to increase production capacity in this commodity. This should not be taken to mean that the coming economic plan will not continue to devote attention to this sector. However, it is expected that the emphasis in the next plan will be put on small industries and crafts that do not require much financing, that produce a yield in a relatively short period, and that export part of their production to the Arab area. What motivates us to make this statement is that the volume of the next plan's investments will be smaller than the investment volume of the previous plans because of the drop in foreign financial aid on the one hand and because it is expected that foreign borrowing does not lie in its volume, which is still within acceptable limits, considering that in 1983 the burdens of this debt did not exceed 7.1 percent of the value of the total commodity and service exports. The problem lies in the fact that the volume of this debt has been growing rapidly in recent years, amounting to 957.1 million dinars by the end of 1984. This is largely due to the rapidly growing volume of the internal public debt.

Another sector expected to get the Jordanian government's attention is the energy sector, especially since it has been announced that oil finds have been discovered in Jordan. Oil prospecting operations still go on in a concerted manner. What calls for this attention is that the oil bill has come to constitute a heavy financial burden for Jordan. The value of this bill has been increasing year after year, amounting by the end of 1984 to 204 million dinars, i.e., exceeding by 80 million dinars the value of the foreign financial aid received by Jordan. On the other hand, it is noticed that the industry and mining sector's contribution to the gross local production nearly maintained its level during the 1981-84 period and continued to hold first place among the economic sectors forming the local product.

Another economic sector influenced by the economic slowdown in recent years is the construction sector. It is noticed that this sector's growth rate began to drop as of 1983. It is expected that this rate will maintain this year, 1985, the same level it attained in 1985 [as published]. We find that this sector's targeted growth rate in the development plan was 12.6 percent whereas the actual growth rate in the 1981-84 period amounted to 8.4 percent a year. On the other hand, we find that a number of economic sectors have exceeded the targeted growth rates set for them in the plan, especially the agricultural sector, the electricity and water sector, and the transportation and communications sector. This has been reflected in the proximity between the actual annual growth rate of the gross local product and the targeted annual growth rate set by the plan. We expect the actual growth rate to amount to 13 percent, compared to the 17 percent targeted by the plan. This leads us to ask about the gross local product growth rate which the next plan will set as a target, taking into consideration the continued economic slowdown, the drop in the volume of financial aid, non-expansion in foreign borrowing and the difficulty of such borrowing, and the drop in the remittances of Jordanians working abroad, not to mention the fact that Jordan's economic policy will seek in the coming years to preserve and bolster the economic gains and to adapt to the economic conditions that have developed in the Arab area. This motivates us to say that the gross local product growth rate in the coming plan will range from 8-10 percent.



Second, the 1981-85 5-year plan has sought to alter the national economy's structure in favor of the commodity production sectors, thus raising their contribution to the gross local product from 38.8 percent in 1980 to 46 percent in 1985. Whereas the increase in the commodity production sectors has been set at 14.9 percent a year, the plan estimates that the service sector will grow by 8.4 percent a year.

A glance at the actual growth rates in the commodity production sectors during the 1981-84 period will show that this rate amounted to 13.5 percent a year. It is expected that this rate will be maintained by the end of the plan. The failure of these sectors to attain the rate targeted by the plan may be attributed to the drop in the industry and mining sector and the construction sector (Chart 1) for the reasons mentioned earlier.

In contrast, we find that the actual growth rate in the service sector has exceeded the rate targeted by the plan. In the 1981-84 period, this rate amounted to 13.3 percent. But this rate is expected to drop a little in 1985 because of the economic slowdown. It is worth noting that the growth rates of the commodity production and service sectors have been higher than the rates of decline in the commodity production sectors. This situation has been reflected clearly in the rate of the contribution of the commodity production sectors and the service sectors to the gross local product. It may be said that the plan's target of changing the national economy's structure has not been achieved, not to mention retreated. This is proven by the fact that the rate of contribution of the commodity production sectors amounted to 38.5 percent by the end of 1984, compared to 38.8 percent in 1980. It is not expected that this percentage will change considerably in 1985.

On the other hand, we find that the service sector's contribution rate in the 1980-84 period nearly maintained the level it attained in 1980. No noteworthy change is expected to develop in this percentage in 1985 (Chart 2). Not only this, but it may be, moreover, said that all the commodity production sectors have fallen behind the percentages targeted in the development plan, though by varying degrees. The industrial sector's shortfall percentage has been the biggest. The plan estimated that this sector's relative importance would amount to 29.3 percent by the end of the plan years whereas this percentage reached its peak in 1981, amounting to 19.7 percent, and amounted to 18.5 percent only in 1984. It is not expected that this percentage will rise noticeably in 1985. The failure of the main industries to begin production at the right time and the drop in the international prices of these industries' products were the most important reasons for the industry and mining sector's failure to achieve the contribution percentage estimated in the plan. Meanwhile, we find that the relative importance of the other commodity production sectors has exceeded the plan's estimates.

This is also true of the service sectors, excluding the transportation and communications sector. This makes us wonder about the coming economic plan's position regarding this objective. It is believed that the next plan will adopt this objective because of its importance to the Jordanian economy and that the objective will be adopted by percentages close to, if not more ambitious than, the percentages targeted in the previous plan. What reinforces

this statement is the constant increase in the production of Jordan's main industries which are expected to operate at full production capacity as of 1986. The statement is also reinforced by the special attention which the Jordanian government will devote in the coming years to the agricultural sector, to the industry and mining sector, and in particular to the oil and energy sector as well as to the electricity and water sector. The statement is also confirmed by the fact that the growth rates in the commodity production sectors have outstripped the growth rates in the service sectors as of 1983.

Chart 1. Economic Sectors' Growth Rate at Current Prices

					Actual Annual Growth Rate 1981-84	Annual Growth Rate Projected in 1981-85 Plan
	1981	1982	1983	1984*		
Agriculture	18.6	9.4	18.3	5.0	12.8	7.5
Industry & mining	24.6	10.6	11.5	8.0	13.7	17.8
Electricity & water	22.8	20.5	12.6	21.0	19.2	18.9
Construction	13.4	10.2	4.0	6.0	8.4	12.6
Commodity production sectors	19.8	12.7	11.6	10.0	13.5	14.2
Internal & external trade	18.1	12.1	6.0	3.0	9.8	10.0
Transportation & communications	28.9	20.4	18.3	6.0	18.4	11.1
Government services	12.3	14.1	6.4	15.0	11.9	3.5
Other services	21.3	16.5	9.3	5.0	13.0	9.0
Service sectors	20.1	15.8	10.0	7.2	13.30	8.4
Gross local product	19.9	14.2	10.8	8.6	13.4	11.3

Source: 1984 Annual Report by Central Bank of Jordan on the 5-Year Development Plan (1981-85).

(\*): Estimated.

Chart 2. Relative Importance of Economic Sectors to Gross local Product  
(Percentage)

	1981	1982	1983	1984*	1985
Agriculture	7.2	7.0	7.5	8.0	7.2
Industry & mining	19.7	19.2	19.5	18.5	29.3
Electricity & water	2.0	2.1	2.2	2.0	1.6
Construction	10.4	10.1	9.6	10.0	7.9
Commodity production sectors	39.3	38.4	38.8	38.5	46.0
Transportation & communications	9.7	10.3	11.1	11.0	12.9
Foreign and domestic trade	18.6	18.4	17.7	18.3	18.6
Government services	18.0	18.2	17.7	18.0	12.2
Other services	14.4	14.7	14.9	14.0	10.3
Service sectors	60.7	61.6	61.4	61.5	54.0
Gross local product	100	100	100	100	100

Source: Annual Report by Central Bank of Jordan on the 5-Year Development Plan (1981-85).

(\*): Estimated.

8494/12828

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KUWAIT

# REGULATION OF MONEY-CHANGING, INVESTMENT FIRMS DISCUSSED

Kuwait AL-QABAS in Arabic 13 Oct 85 pp 1, 11

[Interview with Shaykh Ahmad 'Abdallah al-Ahmad, acting director of Central Bank's Banking Control Department, by Ahmad Shams-al-Din: "Shaykh Ahmad 'Abdallah al-Ahmad to AL-QABAS: Central Bank Will Repeal Licenses of Merchants Who Will Not Engage in Their Business Activities Personally; Sifting of Money-changing and Investment Firms Will Eliminate More Than Half of These Firms']

[Excerpt] Separating Dual Activities

[Question] Are there companies that have not yet applied to be registered in the money-changers register of the Central Bank?

[Answer] Yes, many. Therefore, the activities and market dealings of such companies will be as good as abolished and a decision will be made on liquidating them and repealing their licenses as soon as the grace period set for implementation of the ministerial decree ends.

The Banking Control Department is currently instructing the holders of dual-activity licenses, such as money changing and investment, to separate the two activities. This means that they are being asked to continue engaging in either money-changing or investment activities. Whoever wishes to combine both will have to establish anew separate resources and cadres for each activity with a separate license. When the businessmen concerned select the personnel for the management of money-changing or investment firms, the bank checks on these people to find out the capability of every person and the degree of his suitability for the work because the reasons for the deterioration of the conditions of numerous money-changing and investment firms have been mismanagement and the failure to choose the right man for the right position. This is a point which the Banking Control Department takes into consideration when it engages in the process of sifting the firms concerned and when issuing licenses for the founding of new firms because the money-changing firms in particular have a big influence on the currency policy. Therefore, it is necessary to tighten the controls on them. The time of being lax and of carrying losses over from year to year has ended. The situation can no longer withstand such laxness. Therefore, it is expected that the number of firms which will continue their activities after implementation



of the decree will amount to 35 firms, i.e., less than 50 percent of the number of currently existing firms.

Regarding the set grace period to be given to each firm to correct its conditions, Shaykh Ahmad al-Sabah said that the matter is up to the firms. The department deals with those who have applied for registration at the bank as the people having priority, depending on how early they applied. The policy is the same and is applied to all without exception. However, there is a set date for businessmen with dual-activity licenses to separate the activities and to choose the activity they want. This date is 19 March 1986. As I have already pointed out, it is not permitted to combine money-changing and investment activities in a single license, as was the practice in the past.

#### License Merchants

[Question] What will be done about the license merchants?

[Answer] We tell the license merchants who have not initiated the activity listed in their licenses and who have stored away the licenses while waiting for the right opportunity to lease them that the time for such leasing has gone because no license holder will be permitted to lease his license to any party and because he has to engage in the activity personally. These merchants have until 19 March 1986 to correct their situation and examine their affairs, or else the licenses will be as good as repealed.

[Question] What about those who wish to get new licenses?

[Answer] The bank will ask them for a deposit of half a million dinars and a detailed statement of their managerial cadres, including general manager, financial manager, and stock broker, of the qualifications of each of them, and of their suitability to work in this sphere.

[Question] Will the bank draw up a future plan for the distribution of the money-changing and investment firms according to the population's density and the geography of each area and of the extent of its need for certain numbers of such firms?

[Answer] Yes, this is something that is on the bank's mind because the objective is to chart a complete general policy. We will examine the needs of the various geographic areas of the State of Kuwait for this kind of activity.

Regarding the expected results after completing implementation of the ministerial decree in the interest of the Kuwaiti economy, of the Central Bank, and of the people concerned, Shaykh Ahmad said that a big yield will be produced in the future. In addition to enhancing the efficiency of the bank's control over the firms concerned, a greater opportunity will be available for the exchange of opinions between the control agency (Central Bank) and the operating parties (firms) because the bank will be constantly familiarized with their activities.

Moreover, the firms will supply the bank in the future with periodic statements of their activities. Control and constant field visits to the firms will reveal how accurate and veracious are the firms' statements.

We should not forget in this regard that the main benefit which the firm owners will reap will be embodied in their maintaining their licenses and continuing their activities.

It is worth noting that Kuwait is the only Arab Gulf state to apply the distinguished currency and control system implemented by the Banking Control Department.

[Question] What are the sections of the Banking Control Department?

[Answer] The department has four sections:

1. The control section, which receives the statements from the investment and money-changing firms.
2. The studies section, which is tantamount to the department's technical office, considering that it receives the messages and correspondence coming from the country and from abroad and answers them, in addition to [being responsible for] other economic and currency policy affairs [sic].
3. The credit section, which provides the secret numbers for bank clients and supplies the banks with all data concerning a client.
4. The inspection section, which conducts inspections on the money-changing and investment firms through field visits and immediately writes reports on their positions, without being content with the statements and reports these firms send to the Central Bank.

It is worth noting that the Central Control Department has the power to inspect the branches of Kuwaiti banks outside Kuwait in accordance with the provision stipulated in the contract for setting up and opening any branch outside the State of Kuwait.

It Is a Duty To Seek Accuracy in Obtaining Information

[Question] To what degree does the bank follow what is written about it and what is said about its activities?

[Answer] First, we would like to respond here through AL-QABAS to a report published a few days ago in a local paper saying that the Central Bank has imported a team of foreign experts to carry out the tasks of control and inspection of the money-changing and investment firms. We would like to state that what the report said in this regard is totally untrue. All those working in the sphere of control and inspection are Kuwaiti and resident employees of the bank. What was reported is likely to give the local reader the wrong impression about the economic and administrative situation and to cause this reader to lose confidence in the local cadres who, in our view, are qualified

and experienced cadres who can compete with the foreign expert in their field of work. Let us forget the complex about the foreign expert because the bank has not had a foreign expert for more than a year. Therefore, it is a duty to seek accuracy in economic matters so that we may not give others the impression that Kuwaiti management is not capable of performing its duties and so that faulty and untrue articles may not provide rich material for foreign newspapers and magazines. As we are aware, these foreign papers and magazines derive 95 percent of their economic articles about Kuwait from our local papers. Therefore, the presence of an economist who is capable of keeping up with developments scientifically and accurately and unwilling to resort to the phrase "an authoritative source--often unidentified source--stated" has become an urgent demand because the Central Bank is concerned with enhancing the national economy and our main preoccupation is to advance and revive the stock exchange. But what is the use? We build and some destroy.

Shaykh Ahmad al-'Abdallah al-Anmad added that the report published in another paper saying that the government will guarantee deposits placed in local banks is untrue because such an act means that the position of the banks is in danger. This is a grave distortion. The banks enjoy a good economic position and the Central Bank spares no effort to support any bank needing any assistance whatsoever. There is no call for publishing such distortions in the press again because the ultimate beneficiary of these distortions is the foreigner, since we thus give foreigners the impression that the local banks are in danger and that the government is compelled to guarantee the deposits. Again, this is out of the question insofar as the government is concerned.

[Question] What about the reports that the doubtful debts amount to 3 billion dinars?

[Answer] Yes, these words have been said and attributed to the minister of finance and economy. We do not know where they came up with such a big figure. The reality is in total contrast with what has been reported and the figure is much smaller than the figure cited because the economic situation is, as we have already said, good and is not as bad as some people see it. We ask all not to interfere in our work in the Central Bank and to leave it to us to find the proper solutions. I will note here in particular the National Assembly members. When they raise some questions and insist on getting answers to them from the minister of finance and economy who has in turn to obtain the information from the authority concerned, namely the Central Bank, these members often obstruct our work. We beg the people concerned not to wade into critical issues and numerous statistics and details because they often produce adverse results and give the wrong impression.

We do not wish to tumble into another al-Manakh problem because one al-Manakh is enough. Let us work to strengthen confidence in our economic institutions; there is no need to chase the rumors that rise with the frequency of soap bubbles.

The actual figures available to the Central Bank show that the confidence of bank clients is 100 percent strong and sound.

[Question] In your capacity as an agency for control over the banks, what is your opinion of the failure of the Kuwaiti Financing House to distribute profits for the clients' deposits last year?

[Answer] The Financing House is an Islamic financial institution which has its special system and every depositor is well aware of this fact. The contract concluded between the client and the House is clear and frank. The depositor is subject to both profit and loss. We hope that the situation will be better this year than it was last year.

[Question] Who sets the interest rate for loans?

[Answer] The Central Bank sets the interest rates for loans. These rates are 7 dinars [presumably meaning 7 percent] for productive and guaranteed loans, 8.5 dinars for loans with a duration of less than 1 year and 10 dinars for loans with a duration of more than 1 year.

As for the interest rate for deposits placed with the banks, the supply and demand system is what determines this rate. As we know, when liquidity drops at any bank, such a bank pays a higher interest rate for deposits, and vice versa.

#### Dealing in Bonds

[Question] What about the sphere of dealing in bonds?

[Answer] It is a sphere open to all and is considered the ideal alternative to dealing in stocks. The investor needs to understand the rules and principles of dealing with this kind of bond because sound awareness produces a good yield embodied in increased circulation and in reviving this kind of dealing, especially since we are in a phase where the interest rate for Kuwaiti deposits is declining.

[Question] What about securities?

[Answer] We have reached a phase that can be considered the worst phase. We will begin from scratch. But let all know that the securities market will not again experience the unstudied and inconstant jumps and leaps of the past because there are rules that govern this big sector.

[Question] It is said that large sums of money have departed from the country, thus affecting the economic system. How true is this statement?

[Answer] Often, the departure of money means its return in the form of goods. We are a free commercial country. Therefore, the issue is one of give and take and we must not rely on the figures of the money that departs to develop the impression that the economy and the current situation are in danger. What is required is to examine carefully the net sums of money that are taken out of the country and not the sums used in trade.



## Twenty-dinar Bill

[Question] How will the new paper currency be?

[Answer] The new currency will consist of 20-dinar bills. A special committee was formed to design the right blueprints and drawings. This committee has completed its task and the design has been sent for printing and the bill will be put into circulation at the beginning of next year.

[Question] The Central Bank announced more than 2 months ago its need for employees to fill a number of positions. What has been done in this regard?

[Answer] The bank needs employees to fill 22 positions. We are currently selecting the distinguished applicants from among those who have applied to work with us so that we may assign them to the various tasks compatible with their specializations and with the Central Bank's needs. We will ask those selected to come see us at the bank shortly.

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3 January 1986

PALESTINIAN AFFAIRS

OPTIONS OPEN TO 'ARAFAT EXPLORED

London AL-SHARQ AL-AWSAT in Arabic 17 Oct 85 p 9

[Editorial by 'Imad-al-Din Adib: "What Would You Do If You Were Yasir 'Arafat?"]

[Text] If one of us were to imagine that he is Palestinian leader Yasir 'Arafat, and if he were to imagine the size of the responsibility that has been placed on the shoulder of his political leadership, especially after the shelling of the PLO's headquarters in Tunis, then the question would emerge: What would

I do today if I were Yasir 'Arafat?

If I were Yasir 'Arafat, would I halt the pursuit of negotiations?

Would I continue with these efforts?

Would I attempt to find a new way of dealing with the problem?

Would I transfer my headquarters from Tunis or leave it as it is?

Would I reorganize the deployment of military forces or leave them in their present state?

Would I join a new Arab axis, or should I call for a comprehensive Arab summit?

Dozens of tangential questions that emerge after posing the main question, which is: What shall I do?

Before attempting to answer this question, let us depict the true situation which the Palestinian leadership is experiencing today.

After the mood of national depression that has overtaken our nation following the bombing of Palestinian headquarters has abated, it is incumbent upon us to attempt to evaluate this bombing incident honestly and objectively.

From the military point of view, it is not some sort of military ingenuity that has taken place, but the aggregate of advanced military capabilities and insolence in military imagination.

Yitzhak Rabin, the defense minister of the Israeli enemy and the hero of the famous "Entebbe" operation, wants to repeat his policing operations in an open air space that does not contain any protective air patrols, a strong reconnaissance system, Arab fleets, or a regional and fully coordinated air defense system.

The aim of the operation that took place was not to strike a military blow but a political one, in order to improve the atmosphere of the ensuing negotiations and to weaken the Palestinian side by making it feel that its personal security is under constant threat from the Israeli air force.

Mr Yasir 'Arafat's leadership, according to my understanding, knows the meaning of the Israeli raid in its political aspect.

This means the raid will be politically successful when the Palestinian leadership becomes more flexible, and unsuccessful when the Palestinian leadership -- following the raid -- hardens its position.

The hardening of the Palestinian position is justified and internationally acceptable here because it is in response to an action.

If we are living in the age of "negotiations" or, to be more exact, in the age of "negotiating for the sake of negotiating," then it is incumbent upon us to realize that the alphabet of the negotiating language is being written in our age by bullets rather than ink.

Yes, at the negotiating table, papers speak, but it is the cannons which decide.

Since Israel understands this well, these days it has increasingly taken to warming up the cannons so as to pave the way by fire for any future discussion with the representatives of the PLO.

Through the Tunis operation, Israel wanted to say to Abu 'Ammar: "Our cannons will be within reach no matter where you go."

It also wanted to say to him: "Don't dare to reject our conditions and don't attempt to change or rebel against them."

It is certain that in our age, merely speaking of peace is not going to produce a practical result.

But a debate between guns in the absence of careful political manoeuvring will transform any military detachment into nothing more than an ordinary militia.

What is expected then from the leadership of Abu 'Ammar in the coming few weeks is "escalation." Escalation in the debate about peace, and escalation in the debate between guns.

What is expected is a repetition of the famous Vietnamese model during the Paris peace talks with Henry Kissinger.

The Vietnamese delegate was debating in Paris while his colleague in Vietnam was undertaking the biggest operations in escalating the guerilla war.

On the other hand, what is expected is an increase in commando operations inside the occupied lands.

In these operations it is important to concentrate on military targets like occupation army headquarters, the military intelligence center, or a reconnaissance patrol so that the operation may be assured of international acceptance in that it is a "military" operation.

What is expected is an increase of material support for the youth of the occupied lands by delivering arms and explosives to them in spite of the harsh security regime enforced by the Israeli occupation forces.

What is expected is that the PLO leadership will realize that the Israeli operation to bomb "Hammam al-Shat" will have failed if the PLO continues to escalate both politically and in its commando raids.

Perhaps the most outstanding historical lesson which might be deduced from the historical experience of any leadership is that of the departed French leader Charles De Gaulle when he said: "One should not ask the commander what he is going to do after a military blow has been directed at him."

He then added: "The commander has but one choice, which is to fight."

De Gaulle's profound wisdom makes clear that in the darkest circumstances, the historical circumstance can only permit one action that is without substitute: Struggle.

We are certain that De Gaulle's choice is the choice of the Palestinian leadership.

If what is being put to the PLO today after the cancellation of the participation of the Palestinian side in the London negotiations between the joint Palestinian-Jordanian delegation and the British Foreign Office is making a decision about the nature of the next step, then the beginning of the thread must originate from Amman.

Thus the extent of the harmony between Jordan and the PLO is what will determine the shape of the coming political steps.

The most optimistic of the possibilities is the ability of the PLO to draw Jordan--politically--into the line of its hardening position at the international level.

The most pessimistic of the possibilities is the breakdown of the Jordanian-Palestinian concord, with each side deciding to agree to disagree.

Agreeing to disagree means that each of them will take whatever steps and measures that suits it while respecting the point of view of the other side.



With our respect to the civility and elevation of this disagreement, in the final analysis it still means that the one delegation, the one decision and the one fate have become two.

Hence the extreme importance of the Jordanian-Palestinian discussions which will begin in the next few days to examine the situation that developed from the London negotiations.

When Yasir 'Arafat considers the whole situation he will now find the following:

A. The General Assembly will buckle under American blackmail and will not invite Mr 'Arafat to speak at the current session of the United Nations.

B. Great Palestinian sorrow following the incidents of the Tunis bombing and the Italian liner.

C. An unavoidable dialogue with Jordan after what took place in London.

D. American insistence on weakening the resistance.

E. The deterioration of the situation in Lebanon to the disadvantage of the Palestinian forces that support the legitimate leadership of the PLO.

All these are elements of weakness, how will he transform them to elements of strength?

Once again, Mr 'Arafat has to go back and begin from less than nothing to build a new political situation, and no one knows who will attempt to strike a blow against it.

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3 January 1986

## PALESTINIAN AFFAIRS

## RELATIONS WITH SOVIET UNION EXAMINED

London AL-MAJALLAH in Arabic 25 Sep 85 - 1 Oct 85 p 17

[Article by Salih Qallab: "The Story of Soviet-Palestinian Relations. Moscow Is For 'Arafat's Leadership and Against the Alternative Organization"]

[Text] The recent visit which Salah Khalaf (Abu Iyad), member of the central committee of the "Fatah" movement, made to Moscow recently has raised a number of questions about the true nature of Palestinian-Soviet relations, the Kremlin's position on Palestinian leader Yasir 'Arafat, and whether the Middle East problem will be entered in the agenda of the summit between American president Ronald Reagan and Soviet leader Miknail Gorbachev as one of the main items.

To answer these questions it is necessary to take hold, even if only in summarized form, of the thread of Palestinian-Soviet relations from its beginning. Relations between the PLO and the Kremlin did not come about by chance, nor are they the product of the last few years, as these relations began with the launching of the Palestinian revolution in the mid sixties, but they came out of their cocoon of doubts and reservations only after the June 1967 war. It seems that the origins of those doubts and reservations were the reports reaching Moscow from some of the forces and authorities who considered themselves to be leftists, and who believed that armed struggle is a "petty bourgeois phenomenon," or who believed that transforming the confrontation with Israel from political declarations and flourishes to bullets and rifles was an attempt to draw 'Abd-al-Nasir into a premature war.

The important thing is that real relations between the PLO and Moscow began with the opening of 1969 when the late president Jamal 'Abd-al-Nasir took Abu 'Ammar with him to Moscow for the first trip of the Palestinian leader to the Soviet Union. The Kremlin leaders became convinced during that visit that the Palestinian revolution is a genuine nationalist movement, and that the PLO is working to return to the Palestinian people its lawful rights.

From the time of that visit and up to the complete recognition of the PLO and the elevation of its Moscow bureau to complete diplomatic status, Palestinian-Soviet relations fluctuated on several occasions due to some divergences in points of view on the desired solution to the Middle East crisis and the issue of the emigration of the Jews of the Soviet Union to Moscow [sentence as

published], but they remained continually on the ascendant on all occasions until they reached their level of the mid-seventies.

In the past the PLO used to be treated as a national liberation movement only, with some evident privileges. Relations used to be conducted through solidarity committees, but especially after the October war and the role which the PLO occupied on the international level, these relations suddenly moved to high levels and Abu 'Ammar began to be received at the Soviet capital as a head of state, except for greeting and leave-taking ceremonies which are governed by strict traditions of protocol.

Thus the PLO came to refer to the Soviet Union as its strategic ally even though this expression did not find complete acceptance with some Soviet circles. One high official of the Soviet news agency Novosti once jokingly told the chief editor of the PLO organ, the journal FALASTIN AL-THAWRAH, that he does not agree with the description of relations between Moscow and the PLO as a strategic alliance, and that "you are a movement, and we are a great power, and what is taking place is no more than support from the Soviet Union for the Palestinian revolution, which is struggling to achieve the just aims of the Palestinian people."

One may say that relations between Moscow and the PLO had gone through their golden age during the period between the beginnings of the seventies until the Israeli invasion of Lebanon and the siege of Beirut in the summer of 1982. The expectations of some Palestinian officials indicated that the Soviet Union would not permit any Israeli invasion that reached the Lebanese capital, and for the record, one should say here that Abu 'Ammar was perhaps alone among the PLO leadership to understand that it was neither logical nor to be expected that the intervention of the Soviet Union would be direct in the event of an Israeli invasion taking place. On this basis, he introduced the motto, "Our red line is our red blood," one year before the invasion, and he continued to raise this motto which means in all clarity that Moscow is not going to draw a red line in Southern Lebanon similar to its red lines in numerous areas of the world.

Thus while those who were expecting a Soviet naval, infantry and paratroop landing simply on the approach of Israeli forces to Beirut were shocked and issued statements and declarations that were either hostile to the Soviet Union or contained incitements against its positions and policies, it was again only Abu 'Ammar who remained committed to his freindship with Moscow, and during the difficult months of the siege raised the motto: "If we are about to lose our positions in Beirut, then we have to make sure that we do not lose our friends, the Soviet Union among them."

One observation that drew notice to itself afterwards was that Abu 'Ammar delayed his visit to Moscow after leaving Beirut in spite of repeated invitations from the Soviet leadership. It appears that the Kremlin thought that this delay reflected the beginning of a certain Palestinian policy towards it and was not for procedural reasons only, but contacts continued nevertheless, either through the PLO's bu reau in Moscow or through the Soviet embassies in the Arab countries.

After dissension occurred in the PLO, a chill began to spread over the limbs of Soviet-Palestinian relations. Moscow informed some Palestinian officials that it had been surprised by Abu 'Ammar's return to Tripoli in Northern Lebanon, and that it saw no justification for this return whatever. Moreover, it informed those officials that by his step the Palestinian leader had closed all avenues to the hope of repairing relations between Damascus and the PLO.

#### A Series of Developments

After the Soviets made known Abu 'Ammar's refusal to guarantee a joint statement condemning the Reagan initiative on the Middle East crisis, and the return to Tripoli, steps that shrank the boundaries of Palestinian-Soviet relations followed one another. The Cairo visit came first, followed by the meeting of the Palestine National Council, in the form in which it met in Amman. Between this and that, the division between Syria and the PLO increased, and Moscow had the choice of standing "either with the friend or beside the ally." One ought to point out here that some say that in spite of Moscow's semi public objection to the Cairo visit and the meeting of the National Council in Amman, the Soviet Union in reality had wanted the Cairo visit and supported it as it wanted a justification and an entree for the restoration of diplomatic relations with Egypt, and that it refused to attend the 17th Palestine National Council, not to express its objection to this council, but in order to leave itself a margin to play the role of mediator later on between the PLO and the opposing Palestinian factions.

What verifies this fact is that Moscow has so far refused to change the status of PLO offices in the socialist countries, and that Todor Zhivkov, the Bulgarian president, refused during his recent visit to Damascus to meet any of the leaders of the Palestinian "Salvation Front" which was formed after the recent National Council, just as he refused to include anything on this front in the statement which was issued on this visit.

The Soviets also informed the PLO that they received Khalid al-Fahum, the former president of the Palestine National Council during his recent visit to Moscow as a Palestinian nationalist personality and not as president of the National Council, and they added that they refused to receive any delegation representing the forc-mentioned "Salvation Front".

In an attempt to keep relations afloat, a number of Palestinian leaders have increased their contacts with Moscow. In this regard, Abu Mazin has visited the Soviet capital more than once. This was in addition to the visit of Faruq al-Qaddumi (Abu al-Lutf), the chief of the political bureau of the PLO, and the recent visit of Abu Iyad.

AL-MAJALLAH has learned that Abu 'Ammar, who has remained intent on improving relations with Moscow in spite of the clouds interposed between the two sides, has continued to be conscientious in informing the Soviet leadership about all the Palestinian developments. In this regard, there are indications that after the recent trip of the American envoy to the Middle East, the PLO chief has informed Moscow of the failure of the Murphy mission in the face of the PLO's insistence on its positions of principle and Washington's insistence on its denial of Palestinian rights.



Informed sources indicate that the Soviet Union does not look favorably on some of the methods of the Palestinian opposition to the leadership of the PLO, as it is for opposition through the central committee's opposition to the "Fatah" movement, or "disagreement within unity," and for the dedication of 'Arafat as a leader and a symbol for the Palestinian people. It is said in this regard that Moscow has compelled both Dr George Habash and Nayif Hawatimah to have a meeting soon with Abu 'Ammar which will perhaps take place soon in Algiers and on the basis of the spirit of the famous Aden-Algiers agreement to clear the Palestinian air and begin preparations for a new national council.

Information from Palestinian sources indicate that all that has been said about an imminent visit by 'Arafat, for treatment or for anything else, is not true. These sources believe that such a visit depends on the extent of the improvement in intra-Palestinian relations after Abu 'Ammar's expected meeting with Habash and Hawatmah, and is conditional on the success of the efforts of the committee to clear the Arab air, which appears to have made great progress in the meeting between the Jordanian and Syrian premiers in Jiddah on Saudi Arabian soil.

12775

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3 January 1986

## SAUDI ARABIA

## DEPUTY MINISTER OF LABOR INTERVIEWED ABOUT FOREIGN WORKERS

London AL-SHARQ AL-AWSAT in Arabic 14 Nov 85 p 4

[Article by Mukhtar Sayyid Ahmad: "At an Open Symposium at King Sa'ud University, Saudi Deputy Minister of Labor Says, 'We Have 1.5 Million Open Positions Temporarily Filled by Foreign Workers'"]

[Text] Riyadh (AL-SHARQ AL-AWSAT Bureau), from Mukhtar Sayyid Ahmad--An open symposium organized by the cultural committee of the College of Administrative Sciences at King Sa'ud University hosted 'Abd-al-Rahman al-Sadhan, general secretary of the Civil Service Council of Saudi Arabia, and Ahmad al-Yahya, Saudi deputy minister of labor and social affairs. Al-Yahya stated that the private sector has room for all the specializations of Saudi job seekers and that the foreign labor force fills between 1 and 1.5 million positions graduated according to qualifications, ability and competence. "We consider these to be open positions, since all of them are temporary."

Al-Yahya explained that Paragraph 48 of the labor ordinance gives Saudi nationals job priority in the private sector, and that Paragraph 45 of the same ordinance states that the proportion of Saudi citizens in the private sector must not be less than 75 percent. This being the case, the future belongs to qualified Saudi workers. "We now have 28 labor bureaus spread throughout all parts of the kingdom. They receive all job seekers who visit them, and their regulations and instructions are to find a place quickly for any citizen in cases where the citizen possesses qualification and ability."

Al-Sadhan talked about the background of Decree 187 of the year 1405 A.H. [1984/85] of the Ministerial Council. This decree exempts university graduates from the obligation of working in the public sector for a period corresponding to the years of study. He said that this relates to important changes in the labor force in the country. It was the Office of Civil Service that first called on the appropriate authorities to review the employment rules. This review took place in response to graduates' questions concerning freedom of choice in employment, the council's conviction that the obligation provided no benefit, and so that the private sector might not lack graduates to replace foreign workers.

Al-Sadhan mentioned that the number of graduates in some specializations exceeds the need of government agencies. The council has tried with the

universities to direct university specializations so that they match the labor market. Some universities, however, have criticized the attempt and considered it interference in their affairs.

After presenting their remarks, al-Sadhan and al-Yahya responded to the questions of the students and faculty members who were attending the symposium. The deputy minister of labor explained that the ministry has a special department to follow published [job] notices and question those who place them. All notices must be directed toward the Saudi national. He explained that all the conditions for published notices are not paralyzing, since some jobs demand particular conditions. The ministry has published a "Guide to Vocational Classification," and is in the process of publishing "Vocational Description" for various positions. It will be finished in a year. He said, "If any notices prove not to have been in good faith, we demand that they be altered. Sometimes, we send to the source of the notice a citizen who possesses the real conditions for filling the advertised position."

#### Conditions for the Stay of Foreign Workers

In reply to a question about contractors holding government salaries, al-Sadhan explained that contracting with non-Saudis is a temporary accommodation. The stay of the foreign worker is subject to the availability of Saudi nationals, which would automatically cancel the need for contractors. The foreign worker is subject to the same conditions and specifications that apply to a Saudi in holding a particular position.

The general secretary of the Civil Service Council explained that the Office of Civil Service, with other agencies, keeps track of jobs held by non-Saudis to confirm the legitimacy of their employment based on the non-availability of citizens.

Al-Yahya stated that Aramco, the largest employer in the private sector, has a well-defined employment situation. The company is proceeding with Saudification, as evidenced by its training centers where young people are employed. Before giving them jobs, the company enrolls them in the training centers so that they can replace foreign workers.

Concerning the complaint by employers that most young Saudis, both university graduates and others, specifically desire administrative positions, al-Yahya stated that in some cases this is a true picture, but that it is not a natural tendency. Sometimes it is brought out by the search for betterment. Al-Sadhan commented that the principle in effect in the government also applies to the private sector: contracting is subject to the availability of citizens. The Saudi national must prove that he is the best, and this is a challenge to everyone.

He stressed that Saudification must not be taken as a mere slogan. We must match the slogan with work, dedication and patience. We must begin on the first rung of the ladder and bear certain sacrifices.

Concerning the balance of supply and demand, al-Yahya stated that we are now in an unstable labor market. There is a great gap between supply and demand (the foreign work force is estimated at 2 million workers). Narrowing the gap is the responsibility of the citizen. He explained that most of those who approach the employment bureaus are seeking clerical positions; rarely do university graduates have recourse to them. The ministry strives for balance in the labor market, inasmuch as the proportion of foreign workers is 70 percent in the private sector, which is in great need of Saudi technical workers.

Al-Yahya called on young people to change their ideas about the private sector. He concentrated on the plan of the General Organization for Technical Education and Vocational Training to set up training programs for citizen workers with employers. The organization will undertake to pay the trainees' salaries until they graduate as trained technical workers able to assume their places.

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3 January 1986

## SAUDI ARABIA

## LABOR REQUIREMENTS FOR NEW 5-YEAR PLAN REVIEWED

London AL-HAWADITH in Arabic 18 Oct 85 p 61

[Article: "The Saudi 5-Year Plan and the Labor Market"]

[Text] The new Saudi 5-year plan, the fourth in the development plans' history, differs from those that came before it in objectives and timing.

In terms of timing, the fourth plan has been set out during the era of the guidance of government spending, following a stage of resurgence provided by the oil boom which to a large extent helped implant the kingdom's economic infrastructure.

The guidance of development spending is the overwhelming characteristic of the fourth plan; hence the plan's concentration on the role of private initiative in the development stage of the next 5 years.

In terms of goals, the plan expects that the kingdom's economy will regain its vigor during the 5 years of the plan, on the basis of two factors that are promising in comparison with the last year of the previous plan. These are:

1. An increase in the performance of the non-oil sectors.
2. A rise in the production of the oil sector as well.

The oil sector will continue to provide the kingdom's basic income. As a result of the improvement that has recently occurred in oil demand on the one hand and the constant increase in the production of refined materials on the other, the plan expects that the ratio of the oil sector's contribution to gross domestic product will rise to 43 percent in the years 1989-90.

Government spending's contribution to production is likely to decline to less than 10 percent, although government spending will continue to be the main motive element in the Saudi economy. The plan is providing the sum of 1 billion Saudi riyals, that is, about \$273 million, for total public expenditures on military and civilian projects during the plan years.

In spite of that, gross domestic product at the end of the fourth plan will continue to be below the record level of gross domestic product recorded in 1979-80 in terms of real value.

The Saudi Planning Ministry's estimates assert that the kingdom will require an oil production level of no more than 3.85 million barrels a day for purposes of financing the fourth plan, assuming that oil prices will maintain their current level.

However, the radical change the plan will introduce into the Saudi economy during the coming 5 years is the one anticipated in the foreign labor market. The plan has the goal of reducing the number of foreign workers in the kingdom by 22.6 percent. This means that more than 600,000 workers will leave the kingdom at the start of 1990. Therefore, the Saudis will constitute the majority of people working in the country for the first time since the development plans began to be carried out in 1970.

In this context, the Planning Ministry is thinking of a structural transformation occurring in the composition of Saudi manpower by increasing the number of working women to about 40,000, that is, by 30 percent, by the years 1989-90.

In addition, to anticipate the reduction in foreign manpower, the plan is preparing for an expansion in the scope of the technical and skilled labor training of young Saudi men and women. The plan estimates that the departure of 600,000 workers from the kingdom will open up new job areas for more than 374,000 Saudis.

The announcement of these figures may be an occasion for the countries exporting labor to Saudi Arabia to proceed to set out necessary plans to assimilate the workers who will gradually come back from there. This matter will involve no surprises this time, except for people who wait till the last moment!

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SAUDI ARABIA

PROGRESS, ECONOMIC EFFECT OF CAUSEWAY TO BAHRAIN REVIEWED

London AL-SHARQ AL-AWSAT in Arabic 7 Nov 85 p 6

[Article: "The Saudi Arabia-Bahrain Causeway Coordinator to AL-SHARQ AL-AWSAT: Two Towers 60 Meters above the Causeway"]

[Text] It has been decided that two most modern towers, each 60 meters high, will be built over Arab Gulf waters in the midst of a most modern and lengthy causeway, 25 kilometers long, linking the Kingdom of Saudi Arabia and Bahrain. These will be among the prominent, distinctive features of the giant causeway linking Bahrain to the kingdom and the world for the first time in its history, with the first overland route connecting it to the world.

Shaykh Ibrahim Ibn 'Abdallah al-Khalifah, the general coordinator of the causeway in Bahrain, made this declaration to AL-SHARQ AL-AWSAT, stating that each tower would be topped by an observation deck enabling viewers to observe the landscape of the two countries, with a large air conditioned restaurant at the bottom equipped to serve people in transit from the two countries at the border and passport points. One of the two towers would be alongside the border and passport points now being erected at the middle of the stretch of the causeway on the Saudi side, and the other would face it on the Bahrain side. The construction of the two towers is to be completed next October.

Shaykh Ibrahim stated that the reason for the postponement of the date of the official inauguration of the causeway can basically be attributed to the failure to complete its four stages, all of which will be finished in the month of December 1986. The ministerial committee from the two countries is now working assiduously to set an appropriate date for the inauguration of the causeway.

He said that work on the first and main part of the construction stages of the causeway, the body of the 25-kilometer causeway linking the Saudi coast to that of Bahrain, began on 17 November 1981 and will be finished toward the end of December, after its construction period is shortened by a month. It had been stipulated that it would be handed over on 20 January 1986. The placing of the final segment in the body of the causeway linking up the Kingdom of Saudi Arabia and Bahrain by land was celebrated last May.

Shaykh Ibrahim Ibn 'Abdallah stated that the second stage of work on the causeway was the erection of the two border posts for both countries, including customs, passports, health and coast guard [departments] and the two new towers. This stage was to have been finished at the end of April 1986 but with the erection of the two towers their delivery will be delayed until the end of October.

The third and final stage of the project, which includes the construction of the main roads connecting the entrances to the causeway and roads in the Kingdom of Saudi Arabia, with a total length of 30 kilometers from the area of al-'Aziziyah, and the other roads on the Bahrain side, from the area of al-Jisrah, 12 kilometers in length, consists of the construction of three overpasses to connect them to Shaykh Salman Street. This stage is to be finished around the end of December 1986. This means that almost all the construction stages will be completed a year from now; it has thus been difficult to inaugurate one stage to the exclusion of the others. The political authorities will set their official inauguration date. He denied that any security measures had led to the postponement of the inauguration of the causeway in December.

Shaykh Ibrahim Ibn 'Abdallah stated that the costs of the first stage of construction of the causeway had risen from \$564 to \$600 million and the total costs of the four stages of construction of the causeway would come to \$2 billion.

He said that an announcement was to be made before inauguration of the causeway with regard to the formation of a general organization of the two countries to supervise its operation and maintenance. This would determine the cost of the tolls for cars and persons crossing the causeway. He added that many ministerial committees would work in the two countries in various areas to study all aspects surrounding the causeway and ease of transit over it so that it would be a causeway of love, cooperation and benefit for the people of the two countries, the countries of the Gulf Cooperation Council, the Arab and Islamic world and the international community.

In the middle of the capital of Bahrain, Manamah, far removed from the causeway construction site and the statements of the main person in charge of its construction on the Bahrain side, the Chamber of Commerce and Industry of Bahrain was conducting an opinion poll among a large number of Bahrain merchants concerning the commercial effects of the causeway, especially since more than half the merchants of Bahrain have the feeling that they will not be able to compete with Saudi merchants once the causeway is inaugurated.

The figures show that 58 percent of the merchants feel that Saudi competition will be severe, while 96 percent of them believe that the kingdom's markets will attract a large share of Bahrain's purchasing power.

It appeared from the results of the poll that the causeway would put 500 Bahrainis who are now engaged in marine transportation activities between Bahrain and al-Dammam out of work. It could also lead to a reduction in the number of flights between the Bahrain and Dhahran airports. However, in



exchange, it will increase the volume of traffic in Port Salman in Bahrain, since that is a transit port, especially with respect to exports directed toward the Kingdom of Saudi Arabia.

#### Direct Results

What, however, are the other effects that are expected to occur after the opening of the causeway?

The Bahrain Chamber of Commerce and Industry study set out the most important features characterizing the status of Bahrain's foreign trade with the Kingdom of Saudi Arabia. The focal point of these features is that Bahrain's exports to the kingdom are greater than its imports from it. If we speak in figures, we will find that in 1983 the value of Bahrain's exports to the kingdom came to about 6.2 million Bahraini dinars while its imports from it came to 5.3 million Bahraini dinars. These figures are relatively close to one another.

The figures show that the volume of transit trade passing from Bahrain to the kingdom is greater than the corresponding volume coming to Bahrain from the kingdom. In 1983 the value of transit trade from Bahrain to the kingdom came to about 20.6 million Bahraini dinars while the value of the kingdom's trade to Bahrain was not as much as 0.8 million Bahraini dinars.

The trade in goods re-exported via Bahrain to the Kingdom of Saudi Arabia is a matter of great importance at the present time, since it came to about 8.6 million Bahraini dinars in value in 1983, 41.4 percent of the total goods re-exported to Arab countries. To that it should be added that the exports of the industrial area in Bahrain to the kingdom exceed its imports from it by a large percentage, since this area's exports to the kingdom came to about 14 million Bahraini dinars in 1983.

The Bahrain Chamber of Commerce and Industry study stated that the economy of Bahrain and the Kingdom of Saudi Arabia had not yet reached the stage where an adequate surplus of goods in which either has an export capability sufficient for the other country's requirements might be provided.

For example, we find that Bahrain's exports of manufactured materials and materials classified by commodity account for only 1.9 percent of the kingdom's imports and that Saudi Arabia's exports of machinery and transportation equipment account for only 61.2 percent of Bahrain's imports of these.

#### Local Production Does Not Meet Consumption

The question which is being repeatedly asked by many merchants and broad segments in Bahrain is, what future changes are expected to take place in the various economic sectors in Bahrain after the opening of the causeway?

Statistical studies indicate that the Kingdom of Saudi Arabia and Bahrain import non-oil commodities from abroad because they are not available from local production, meaning that neither country will have a surplus to export to the other after the causeway is opened.

However, in spite of all that, evidence confirms the presence of better circumstances and elements in both countries which will have the effect of bringing the prices of their imports of these commodities below those of the others. This in itself could lead to the movement of equivalent goods to that country which sells imported goods at higher prices than the other country. This of course will lead to a reduction in that country's imports from other countries it imported its requirements from before the inauguration of the causeway.

Nonetheless, the study confirms that this transformation will not affect the overall volume of imports of the country to which these commodities move, since the opening of the causeway might lead to a drop in the imports of the country where the commodities are sold at high prices and this could consequently lead to an increase in imports from the other country, where they are sold at low prices.

#### Transit Channels

The study addressed itself to the channels through which commodities can be moved after the causeway is opened and said that this would be realized in a number of ways:

A shift on the part of the merchants themselves in the country where the imported goods were sold at high prices to imports from the other country.

A shift of merchants from the country where the imported goods were sold at lower prices to involvement in commercial activity in the other country.

A shift of consumers from the country where the imported goods were sold at higher prices to their purchase from the other country.

Because the prices of imported goods of foreign origin are sold in Bahrain at prices higher than their equivalents in the kingdom, it is expected that the movement of goods will turn from the kingdom to Bahrain, there will be a shift in the movement of consumers from Bahrain to the kingdom, the movement of merchants will be directed from the kingdom to Bahrain, and so forth.

The study expects that the opening of the causeway will lead to an increase in the movement between Bahrain and the kingdom of goods and commodities in which both have an export capability in place of their export to the other countries of the world.

Assuming that an increase does occur in the volume of movement of goods of foreign origin, that will not limit the two countries' massive reliance on the outer world, since neither's volume of exports has reached a point that is in keeping with the tremendous volume of the imports of either, especially as regards the types of commodities Bahrain and the kingdom export.

It is likely that the movement of goods of foreign origin will constitute the predominant characteristic of trade between the two countries following the opening of the causeway.

## Transit and the Causeway

Concerning the volume of the transit trade and expectations in its regard during the stage after [construction of] the causeway, the study stated that in the event it is assumed that the causeway leads to the stimulation of Bahrain's exports to Saudi Arabia or vice versa, that will not lead to an increase in the total volume of either country's exports but will lead to an increase in these exports to the other country at the expense of the remaining countries in the world.

It is expected that overland means of transport will be used to transport goods traded between Bahrain and the kingdom rather than their being transported by sea or air and, although there is no possibility that overland means of transport will be used to move transit goods between the two, that will not conflict with the possibility that some transit goods will be transported by land as a result of a change in circumstances in trade between either of the two countries and the other countries of the world after the opening of the causeway.

These expectations indicate that the use of land transport could lead to an increase in the volume of trade between Bahrain and Saudi Arabia, since either either country might prefer to obtain some of its imports from the other rather than importing them from the remaining countries in the world, and that might result in encouraging the importation of some goods of national origin from one country to the other rather than from outside the region.

The study asserted that the movement of goods of foreign origin from either country to the other after the causeway [is built] could occur only if the prices of these goods vary. That will result in their moving from the country in which they are sold at lower prices to the country where they are sold at higher prices. It has appeared that this process can take place totally spontaneously only on two conditions:

The first condition is an absence of customs restrictions between Bahrain and the kingdom.

The second condition is that these goods be subject to customs restrictions when they move from the country where they are sold at lower prices to the other country, on condition that their prices remain lower once they move. Proceeding from the same premise, either of the two countries can take the place of the remaining countries in the world in satisfying the other country's need for imported goods it imported by itself before the opening of the causeway. That will without question lead to an increase in the transfer of goods of foreign origin from the former country to the latter.

## The Merchants Speak

As we have seen, the effects and influences covered by the Bahrain Chamber of Commerce and Industry study concerning the causeway and the results which it is expected will occur after it is opened are numerous. In order to complete the picture, the chamber chose a sample made up of 500 Bahraini

merchants and posed a number of questions to them in the form of an opinion poll.

This poll showed that 47 percent of Bahrain's merchants consider that the volume of their trade with the kingdom will increase after the opening of the causeway as a result of the expansion in the size of the Saudi market open to them, an increase in the number of people coming to Bahrain from the kingdom, ease in obtaining some commodities by land and the probability of an increased volume of transit trade. However, the merchants assert that to bring this about it will be necessary to unify the customs duties both Bahrain and Saudi Arabia impose on imported goods and it will also be necessary to unify the tariffs both countries impose when goods move between them and unify trade laws in both Bahrain and the kingdom.

Conversely, 31.4 percent of the merchants in Bahrain consider that the volume of their trade will drop after the opening of the causeway as a result of the increase in the flow of goods and commodities from the kingdom to Bahrain which will result from the causeway, leading to an increase in the supply of goods, so that their prices will fall. This will in effect lower the profit margin they realize and a contraction in the volume of their commercial activity will result from that as a consequence.

#### Facing the Contraction -- How?

These merchants requested that measures be adopted to eliminate the drop in the volume of commercial activity between Bahrain and Saudi Arabia after the opening of the causeway; 13.8 percent of the merchants in Bahrain expressed their belief that their volume of trade would not change after the opening of the causeway, especially if the commercial statutes and policies remained as they now are; meanwhile, 7.8 percent of the merchants said that their volume of trade might rise or fall after the opening of the causeway.

Concerning the customs statutes and policies the merchants would prefer to have adopted between the two countries in the future, 67.7 percent of the merchants responded with the view which holds that it is necessary to impose customs tariffs on imported goods when they move between the two countries. These merchants expressed their belief that the execution of this recommendation would result in protecting the Bahraini merchant from the flow of imported goods and commodities from the kingdom to Bahrain and would lead to the protection of the Bahraini economy.

75.4 percent of the merchants rejected this view; their justification of the rejection was that imposing customs tariffs would lead to the possibility that the volume of commercial activity in Bahrain would fail to increase so that the kingdom's market, a broad market, would be opened to the merchants of Bahrain, and that that could result in the merchants of Bahrain exploiting the possibility of obtaining commodities and goods from the Kingdom of Saudi Arabia at low prices.

Yes, But

58.8 percent of the merchants of Bahrain considered that the establishment of a free market exempt from customs duties near the causeway area would



lead to the encouragement and revival of the re-export trade between the two countries and might help the authorities examine goods and tighten surveillance over them.

Conversely, 29.4 percent of the merchants asserted their rejection of the establishment of a free zone, explaining this on grounds that nothing would confirm an increase in the merchants' purchases in the kingdom, especially since the prices of goods in Saudi Arabia were so low that it would be possible to justify their failure to use the free zone, and also that the presence of an industrial zone, the goods entering or leaving which are not subject to any customs tariffs, would not for its part justify the establishment of a free zone. These merchants considered that it was necessary to develop part of the industrial zone in existence at present so that it would in effect be a free commercial zone between the two countries.

The merchants included in the chamber sample considered that a free common market should be established between Bahrain and Saudi Arabia. Proceeding from the premise that there was no justification for establishing one if the government adopted the "drawback" system, on the basis of which customs duties were received in the event the goods were purchased for export, 1.9 percent of the merchants in the sample gave their agreement and rejection to the establishment of such a zone at the same time.

On the possibility of cooperation and coordination between the merchants of Bahrain and the merchants of the kingdom, 66.6 percent of the former asserted that it was necessary to increase cooperation and coordination between the two countries in the commercial field because of the proximity of the source and in order to benefit from the resources of Saudi merchants and the possibility that Bahrain merchants would acquire a greater profit margin as a result of a drop in prices in Saudi Arabia below those in Bahrain.

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## SAUDI ARABIA

## SAUDI AIRLINE RELEASES 10-YEAR REPORT

London AL-SHARQ AL-AWSAT in Arabic 11 Nov 85 p 4

[Article: "Latest Statistical Report of Saudi Arabian Airlines--Passengers Increase Tenfold to 11.6 Million, Plans To Introduce Automated Reservations Throughout and To Increase Fleet Capacity"]

[Text] Jiddah (Saudi News Agency)--A statistical report issued by Saudi Arabian Airlines showed that the number of passengers traveling on the company's airliners has increased tenfold during the last 10 years, reaching 11.6 million at the end of last year. The report also made it clear that fleet capacity has increased greatly, with the number of airplanes now reaching 103. The report related this to the widening of the range of conveniences which Saudi Airlines offers to its clients through an advanced network of offices that use an automated reservation system. Domestically and abroad, these offices now number 62, and there is a plan to generalize the automated reservation system in all company offices by the end of 1987.

About the fleet of Saudi Arabian Airlines, the report mentioned that the company presently owns 103 airplanes of various kinds. There are 20 Boeing 737's, 17 Tristars, 11 Airbuses, 11 Boeing 747's, 3 Boeing 747-300's, 8 Boeing 707's, 5 Grumman Gulf Stream 2's, 4 Grumman Gulf Stream 3's, and 2 of each of the following: Beachcraft 100, (Nathyatishan) and (Bayirayatshi) --plus 18 various other airplanes.

The report made it clear that the number of Saudia offices using the automated reservation system within the network now flown by the company has reached 34 domestically and 28 abroad. Twenty-three agencies were connected with the system, and it is expected that the system will include all points serviced by Saudia by the end of 1987.

#### Freight for the Sake of Development

Saudi air freight services played an important role in the development process by transporting industrial materials and consumer goods to all areas of Saudi Arabia. This service was reflected in the marked growth of freight operations within Saudi Arabia proper. During 1985, Saudi freight services continued to expand, with total goods transported by Saudi reaching 171 million kilograms, an increase of 5.5 percent. Between 1983 and 1984, for

example, the number of metric tons arriving rose [from] 1.830 million to 1.952 million, an increase of 7 percent. In 1985, up to the month of September, Saudia transported 1.250 [million] tons of cargo in and out of Saudi Arabia.

The automated cargo project at King 'Abd-al-'Aziz Airport is expected to be finished by the end of 1985 as part of the enlargement of the existing cargo facility at Jiddah. Two platforms for 747 cargo planes are being added, together with provision for a mechanized lifting and handling system using mobile lifts to move loads by remote control after the order of the stock of empty containers has been determined, [this information] to be kept in a complete inventory record to goods according to predesignated warehousing symbols.

### 300 Trips a Day

During the past 9 months of 1985, Saudia Airlines carried about 8.5 million passengers on its domestic and international flights. Of this total, about 5,721,163 passengers were carried on the Saudi domestic network, representing 97.9 [as printed] percent of transport movement. About 2,700,551 passengers were carried on the network of international flights, representing 32.6 percent of overall movement. The number of daily flights by Saudia is about 300, but this number increases during seasons of teachers' travel, during the summer, and during the pilgrimage season.

For the last 4 years, all principal operations involving overhaul of Saudia L-1011 Tristar chassis have been performed by the company itself within Saudia facilities, and this capability has now been developed so as to cover all Saudia aircraft. In January 1984, the first complete overhaul operation for a Boeing 737 took place. Similar overhaul operations also took place for six other Boeing 737's. Saudia maintenance technicians overhauled three Lockheed L-1011 Tristars and one Boeing 707 during the same year.

### Servicing by Local Skills

During 1985, Saudia continued to implement its program for servicing and preparing its aircraft. Through the end of last October, the number of aircraft that had been prepared was 10 (Boeing 737's and 707's). The number of aircraft overhauled thus far is 27 aircraft of all the sizes and kinds included in the Saudia fleet.

The number of workers in the technical department of Saudia Airlines is about 5,500, with various technical specializations in the area of engineering and maintenance of aircraft and electronic devices. Saudi technicians constitute approximately 50 percent of the workers, and the company is making efforts to substitute native technicians for foreign ones so that the proportion of Saudi technicians will reach 91 percent in the near future.

### Training Courses

Saudia organizes numerous training courses and programs for Saudi youths who have the general secondary scientific diploma. They are sent to America to

study in institutes specializing in aircraft and engine maintenance and in electronic instrument engineering. Every year, between 350 and 500 students who have been accepted in this program go abroad to obtain an American diploma in a specialty. The number of Saudi students studying in American technical institutes is about 1,500. After completing their studies, large numbers of these young people return to participate in serving their country in the field of air transport maintenance. Saudia recently obtained from the world federal aviation organization certification by virtue of which Saudia can become a world center for the maintenance both of the planes of its own fleet and of the planes of other world airlines that desire such maintenance.

#### 57 Percent of Pilots Are Saudis

More than 1,050 pilots fly the Saudia civilian fleet of Boeing 737's and 747's, Tristars, Boeing 747-300's and Airbuses. The proportion of Saudi pilots is about 57 percent, while the proportion of Saudi copilots is 75 percent. Saudia has done well in the proportion of on-time takeoffs and landings, departures and arrivals, which has reached 94 percent. Also, Saudia Airlines has established two catering units--one at King 'Abd-al-'Aziz International Airport in Jiddah, the other at King Khalid International Airport in Riyadh. These two units supply the airline's flights with more than 3.5 million meals a year. They also provide services to more than 37 foreign airlines with flights that take off from Saudi Arabia.

#### Promotional Prices

Since last 1 October and continuing to the end of March 1986, Saudia has begun to apply promotional prices on its international flights in first and tourist classes. Reduced first-class prices on international flights round trip from Jiddah have been set as follows:

- Cairo: 0,887 riyals, instead of 2,622 riyals
- Delhi and Bombay: 3,505 riyals, instead of 4,654 riyals
- Casablanca: 6,028 riyals, instead of 4,654 riyals
- Colombo: 4,986 riyals, instead of 5,800 riyals
- Damascus: 2,162 riyals, instead of 2,826 riyals
- Dacca: 5,343 riyals, instead of 5,620 riyals
- Islamabad: 3,505 riyals, instead of 4,962 riyals
- Karachi: 4,156 riyals, instead of 5,103 riyals
- Lahore: 3,505 riyals, instead of 4,692 riyals
- Manila: 7,590 riyals, instead of 10,760 riyals

In tourist class on international flights, Saudia has begun to apply reduced fares during the same period to Casablanca and London. A round-trip ticket from Jiddah to Casablanca now costs 2,408 riyals, instead of 5,542 riyals or the previous reduced fare of 3,739 riyals on the same flight. Tickets to London now cost 2,750 riyals, instead of the ordinary price of 5,740 riyals, and this is even lower than the older reduced fare of 3,874 riyals on the same flight.



The conveniences that Saudia strives to offer its passengers are not limited to ticket prices. The airline offers discounts on tickets to the elderly, family groups, students, young people, the handicapped and workers at rates varying between 30 and 50 percent. Persons over the age of 65 are offered tickets at a discount of 35 percent from the price of tourist class for the length of a year, and they are allowed stopovers at the airports they designate. Passengers who accompany the head of a family on Saudia flights to some European countries receive a discount of 50 percent on the price of first-class or tourist tickets, and this discount holds good for a year, provided that the trip take place within a year and the head of the family (husband or wife) pay the regular first- or tourist-class fare.

#### Discounts for the Handicapped

Saudia offers handicapped and blind passengers on its international and domestic flights in first or tourist class a discount of 50 percent and extends the same discount to one person accompanying the handicapped passenger. Groups of workers are given a discount of 30 percent. Groups of not less than 15 passengers are given discounts varying according to country. The airline offers youths under 24 a discount of between 45 and 50 percent on the ordinary price of tourist class. For students, the discount rate on tickets amount to 50 percent, provided the student wishing to travel presents a validated certificate from the school, institute or university in which he is studying, and that the student's age not be under 12 or over 24 (except on flights to Spain, where the age limit is 31, and on flights to London and Greece, where the age limit is 28). This discount [for students] does not apply to the countries of East Asia.

One should mention that there are reduced winter and summer fares to Europe and America. Fares within the Middle East are stable the year around. Winter fares do not allow passengers any stopover. Summer fares allow the passenger to make a stopover at one point during the return.

Promotional fares are being applied in conformity with internationally agreed-upon regulations.

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SAUDI ARABIA

# TECHNOLOGICAL IMPROVEMENTS IN COMMUNICATION NETWORK

London AL-SHARQ AL-AWSAT in Arabic 14 Nov 85 p 4

[Article by 'Abdallah al-Shaykh Muhammad: "Dr Kayyal Announces, 'The Most Modern Technology Is Used in Saudi Communication Networks"]

[Text] Jidda (AL-SHARQ AL-AWSAT Bureau), from 'Abdallah al-Shaykh Muhammad --Dr 'Alawi Darwish Kayyal, Saudi minister of post, telephone and telegraph, "Saudi Arabia has laid the foundation of a modern telegraph, post office and telephone network employing the latest achievements of modern communication technology." In a speech covering the history of communications in Saudi Arabia, as preface to the annual report on the accomplishments of the Western Communications Organizations, he said, "This has been accomplished in record time. In the space of no more than 7 years, communications networks have crossed all parts of the country."

He added, "The volume of mail jumped during this period from 80 million to 500 million letters, and the post office spread its services to 4,000 cities and villages. The number of telephones has jumped from 120,000 to 1.2 million, and telephone service has spread to 400 cities and villages. The number of telexes has jumped to over 15,000 lines, in addition to a remarkable increase in microwave, coaxial cables, coastal satellite stations, and television and radio networks."

He indicated that the building up of a native cadre was one of the most difficult tasks faced by the ministry. There is also the problem of training and of Saudification, which is the chief challenge to the ministry.

He added, "In this regard, the ministry has built training institutes and has sent missions abroad. It has placed training at the head of its interests. Because of these steps, we have been able to reach a level of no less than 62 percent Saudification in ministry installations."

Mr Rabi 'Sadiq Dahlan, general secretary of the Western Communications Organization, explained in his report that the challenge the organization faces is that the demand for communication services is greater than the supply. However, there is confidence in God and in the ability of the workers to satisfy this demand.

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SAUDI ARABIA

FRG FIRMS AWARDED CONTRACTS FOR POWER PLANTS, TRANSMISSION LINES

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German  
2 Oct 85 p 2

[Article: "Expansion of the Electrical Power Supply in Saudi Arabia: German Enterprises Participate in Several Projects"]

[Text] W.An. Frankfurt--In the Kingdom of Saudi Arabia several important contracts have been awarded for the construction of power plants and high-voltage transmission lines as well as expansion of the electrical power supply network (see also the review in our edition of 29 June 1984). Along with enterprises of other industrial nations there have also been included in these new projects German equipment firms, construction firms, and engineering consultation firms. The country's Fourth 5-Year Plan (1985 to 1990) provides for investments of 18.821 billion Saudi riyals (1 Saudi riyal = about DM 0.85) in the sector of electrical power generation and distribution.

In the beginning of August 1985 a consortium headed by the Japanese Mitsubishi Corp. was awarded a contract amounting to 1.2 billion Saudi riyals for the construction of a thermal power plant in Qurraya in the Eastern Province having an installed power of 1,200 MW. Consortium partners are the Mitsubishi Heavy Industries Co. and the Japanese Taisei Co. as well as the Philipp Holzmann Co., Frankfurt, for the construction. The project is in charge of the Saudi Consolidated Electric Co. for the Eastern Province (Sceco-East). Included as engineering consultant firms are the British Ewbank Preece Co. and the domestic firm Salah Abalkhail Consulting Engineers.

The Electricity Corp. (Electrico), Riyadh, in the beginning of September 1985 awarded to the French firm of Alstom-Atlantique, Paris, a contract amounting to over 200 million French francs for the construction of a gas turbine power plant at Duba in the northwestern section of the country. This is to contain three units having an installed power each of 20 MW. The planning of the power plant which is to be ready in 2 years was assigned to the Irish Electricity Supply Board. The Saudi Arabian holding company Saudi Arabian Alstom has also been included in the project.

The Saudi Arabian Saline Water Conversion Corp. (SWCC) in the spring of 1985 awarded a contract to a consortium consisting of the two Japanese firms Hitachi Zosen and Penta Ocean Construction Co., along with the American General

Electric Co., to build a thermal power plant (128 MW) at Shuqaiq on the Red Sea, the power plant being linked to a seawater desalination facility. The contract for the power plant amounts to \$87.9 million. The erection of the seawater desalination facility has been assigned to an association of companies including as partners the Pegal Arabia Co., an enterprise of the Sogex Group, and the American Envirogenics Systems Co. The value of the contract for the seawater desalination facility, whose daily capacity amounts to initially 20 million gallons of drinking water, is given as \$127.9 million.

The South Korean Hyundai Electrical Engineering and Construction Co., Ltd., was in the spring of 1985 assigned a contract by the Saudi Consolidated Electricity Co. for the Southern Province (Sceco-South) to build seven transformer plants located in Khamis Mushayt, Nammas, Sarat Abidah, Ahad Rafida, Harja, Arfan, and Musallam. In addition, the Hyundai Co. booked a contract for over 48.7 million Saudi riyals for the installation of 175 km of double high-voltage lines (132 kv) connecting Khamis Mushayt, Ahad Rafida, Sarat Abidah, Harja, Hanas, Arfan, and the King Faisal Military City. Both contracts are to be completed in 22 months by the South Korean firm.

Sceco-South in the spring of 1985 granted to the domestic firm Rajab & Silsilah (R&S) a contract amounting to over 43.5 million Saudi riyals to deliver six diesel generators (5 MW each) for a power plant in Sharoura. The diesel generators are being manufactured by Mannheim Motor Works, Inc. (MWM), Mannheim, with the Kloeckner-Humboldt-Deutz Co. in Cologne being a participant in this. The Rajab & Silsilah (R&S) enterprise has also been responsible for laying open 33-kv transmission lines as well as for linking up 2,430 households. The contract amounts to 35 million Saudi riyals.

The government-operated Pakistani National Power Construction Corp. (NPCC) in January 1985 was awarded two contracts by the Electricity Corp. (Electrico). The first, amounting to 65.8 million Saudi riyals, involves the construction of five transformer stations in Wadi Dawasir and the construction of high-voltage transmission lines (132 kv) having a length of 91 km. The second contract (43.3 million Saudi riyals) involves the construction of 132-kv open transmission lines (210 km long) in the area of Yanbu on the Red Sea. As early as the end of 1984 the NPCC took the lead with a contract amounting to over 66 million Saudi riyals for the construction of open transmission lines as well as for the construction of three transformer stations in Tabuk in the northwestern section of the country.

A German consortium headed by Siemens, Inc., Munich/Berlin, a consortium which also includes the Siemens Group-owned Transformers Union Co., Stuttgart, in December 1984 booked a contract amounting to about DM 150 million. This contract involves the expansion of electrical power supply networks in the cities of Djidda and Mecca. In the summer of 1984 the Siemens Co., which has a 30-percent share of Arabia Electric, Ltd., Djidda, was already able to book for its energy supply division a contract amounting to over DM 90 million to expand the power network in Djidda. The Transformers Union Co. is also participating in the completion of this contract which encompasses the delivery of high-voltage switching facilities, transformers, high-voltage cable as well as control devices and protective devices.



The AEG-Kanis Turbine Factory, Inc., Nuremberg, a subsidiary of the AEG-Telefunken Co., Frankfurt, was assigned a contract in the fall of 1984 by the above-mentioned Electricity Corp. (Electrico) for the complete construction of a gas turbine power plant (175 MW) in Al Yuba in the Wadi Dawasir Region in southern Saudi Arabia. This plant is to be ready for operation by the end of 1986. The value of the contract runs to about DM 185 million. This was already preceded in the summer of 1984 by a contract amounting to DM 160 million involving the complete construction of a gas turbine power plant (90 MW) in Layla, about 400 km south of Riyadh. This is also expected to be put into service in 1986.

The MAN Augsburg-Nuremberg Machine Factory, Inc., Augsburg, reported in December 1984 that its subsidiary firm MAN-B & Diesel, Inc., Augsburg, had completed the construction of a diesel power plant having an electrical power output of 61,300 kva. The latter is supplying electrical energy in isolated operation to the new large cement factory of the Arabian Cement Co. in Rabigh, 140 km north of Djidda on the coast of the Red Sea. The diesel power facility has been equipped with seven Model 8L-52/52 sets of engine generators. The KHD Humboldt Wedag Co., Cologne, had received the contract to build the cement factory.

ANT Communications Technology, Inc., Backnang, in the spring of 1985 booked a contract from the Saudi Consolidated Electricity Corp. (Sceco) amounting to DM 3.4 million to deliver and install a communications system. This involves facilities for air-cable connections between power plants and substations in the southern part of the Eastern Province.

After completion and acceptance of the Riyadh 8 Thermal Power Plant equipped by the Swiss firm of BBC Brown, Boveri & Co., Inc., Baden/Switzerland, with 16 gas turbines (50 MW each), this latter firm in the summer of 1984 obtained a follow-up contract amounting to 200 million Saudi riyals to deliver and install 4 gas turbines (50 MW each) to expand the power plant in order to be able to meet peak requirements of the capital city. The contract is awarded by the Saudi Consolidated Electric Co. for the Central Region (Sceco-Central).

The German engineering consultation firms which have become engaged in Saudi Arabia include the Lahmeyer International, Inc., Frankfurt, which in recent days has become involved in the 110-kv network expansion in Djidda and in the Djidda-Mecca-Taif-Medina load takeover system. It also took responsibility for the preparation of a study of a 380/100-kv network expansion. The Fichtner Engineering Consultation Firm, Inc., Stuttgart, received assignments for the Al Khobar II and III Thermal Power Plants as well as for the seawater desalination facilities associated with them. In addition, it has become involved in the construction of a load distributor in Medina.

The IPM Engineering Co. for Project Management, Inc., Braunschweig, has been assigned the task of working up a study for the above-mentioned gas turbine power plant in Layla. The Mannesmann Facilities Construction Consultation Firm, Inc., Duesseldorf, obtained a subcontract for technical assistance in connection with the already-mentioned thermal power plant in Qurrayah. Moreover, two subcontracts went to Kirchner & Wolf Consultants, Inc., Hildesheim. These subcontracts relate to the Riyadh-Mecca high-voltage line and a survey of a 132-kv line.

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

BRIEFS

ALLEGED PLOT AGAINST NASIR--Reports leaked from Aden assert that 'Ali 'Antar and Salih Muslih, 'Antar's main ally and the Aden minister of defense, are making important contacts with a number of elements of the southern opposition leadership living abroad for the purpose of opening a dialogue with these elements to set up an alliance opposed to 'Ali Nasir, the chairman of South Yemen's Presidential Council. The same sources indicate that tempting offers are being made to the opposition and that this new stance on the part of 'Ali 'Antar, the Presidential Council deputy chairman and the Political Bureau member, confirms that the state of tension and conflict among the symbols of the Aden government has reached a point where the balances of the previous phase cannot check or control it. [Text] [London AL-DUSTUR in Arabic 9 Sep 85 p 3] 8494/12828

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3 January 1986

## IRAN

## SHAH'S SON ELABORATES ON FUTURE PLANS

London KEYHAN in Persian 14 Nov 85 pp 1, 3

[London KEYHAN weekly in Persian; founder and publisher Dr Mesbahzadeh]

[Text] New York - 23 October 1985 - The weather is so nice and pleasant that it just invites one to go for a walk and soak up some of its fresh and brisk air. He, too, slowly began to walk the distance between where his car was parked and the hotel entrance: That is, Reza Pahlavi who five years ago, after the death of his father proclaimed himself as the "shah of Iran." He now has begun an extensive effort outside the country to win this position.

As a crown prince, after a reconciliatory transfer of power, he was supposed to become the shah of Iran, however as things stand today the road is not covered with gold-embroidered carpets for him anymore; moreover, it is a very treacherous road, full of ups and downs with a variety of dangers. Is he really aware of all the dangers which are hiding in ambush for him? He says: I'm well aware of the dangers, more than you think.

There is no reason not to believe his statement. But an iron will--in this difficult and abnormal situation--for conquering power is what the heir to the throne has to have forever, but he has to prove it anew for ever. This is not only a great life experience for him alone, but for all people who at a time of great hardship take the center stage and create history.

The former assistant scout-master, the one-time football captain and the ex-commander of an air force squadron is planning to fight in an arena which could not have been foreseen in the past. As he says: "I was trained to be a shah, but under the exceptional circumstances of today I cannot limit myself to the tasks or duties which I'll be expected to carry out during the normal situation in the country."

Exceptional circumstances call for exceptional work where in itself a danger of performance is part of its nature. In answer to our question of how much danger he would accept to liberate Iran, he said: "I'm ready to give my life in this way, If there is anything more important than that, I don't know."

Question: It's almost one year now since your last interview with KEYHAN. As regards Iran, whether on an international level or in Iran alone what transformations have taken place and what have been the effect of these transformations on your activities?

Answer: Transformations take place continually, whether in Iran or abroad; of course the important thing for me is what transpires in Iran. Not only am I continually aware of the occurrence of these transformations in Iran, but I've arranged my work program in such a way as to exert certain influence on these transformations.

We should always be in touch and aware of what is going on inside our country, negligence and a lack of proper attention to this matter may lead us to occupy ourselves with issues which have no significant importance as far as Iran's destiny is concerned. Living conditions of the people in Iran are continually getting worse and that's really pathetic! Likewise, the ruling regime with each passing day exposes its impotence, helplessness and incompetency. Therefore, as in the past and even more than before I'm convinced that this regime is not going to last much longer, particularly when it persistently creates problems for itself and drives more nails in its own coffin. If as a result of the incompetency of the regime the whole country has not come to a standstill, sooner or later it will happen... that's something which I had foreseen.

Here I would like to stress two fundamental realities: First, people are no longer going to accept unreasonable and fanatical attitudes; second, the regime itself can no longer impose its wishes on the people since it has lost its capability and competence.

Alongside these transformations I've also expanded my activities inside the country. Of course, for obvious reasons I'll not go into details. I can only point out that we've reached the point where we can be sure that our final objective, namely, the downfall of the usurping regime is within our reach and we are on the right track.

Question: At this point I would like to ask a question of you who have on several occasions stated that you would not interfere in executive affairs. Where does this interference apply--to the period before the downfall of the present regime or after?

Answer: That is a very good question since many other individuals would also like to know the answer. The fact of the matter is that the constitution is clearly enacted to bring an order to the system of government, and it is not for the downfall of a regime whose genesis was not predictable. Of course affirmation of the constitution is the main objective of all the loyal supporters of the constitution. However, no one should use the constitution to get rid of the usurpers of power. Under the present condition when one is not physically in the country, when there are no constitutional houses of parliament, no judicial or legal systems, this question--comes to mind. What are the obligations of the shah? At a time when not only is there no decreed law, but even worse than that, the very existence of the nation is in danger--then what is the role of the shah?



I've learned my lesson from the Iranian history and from the events which have befallen Iran, and unmindful to flying rumors or rumblings I will carry on the burden of the responsibility which I've accepted to bear for the Iranian society. I'll use every means except conciliation with our domestic or foreign foes or compromising Iranian interests, to bring back the rule of law. Under the exceptional circumstances of the present day I cannot confine myself to the performance of those duties which are otherwise expected under normal conditions. At a time when our country is going to rack and ruin it is the national and humanistic duty of every patriotic Iranian to do everything in his power to liberate our country.

Well, now that I expect my countrymen to act like that it would not be right for me to sit back with all the onerous responsibilities that I have, so as not to risk any harm or listen to some unimportant rumblings that certain parts of the constitution or its amendment are not effective enough or appear to have flaws. My moral, humanitarian, Iranian and status responsibilities all prohibit me from acting like that. Therefore, I would like to make sure that my countrymen know that my role before the downfall of the present regime or after its downfall and even after the affirmation of the constitution is quite different. I firmly believe that I should utilize all the possibilities and the position that I enjoy as a shah to assist the oppressed people of my country. Nothing will deter me from this path. Furthermore, I should make the rest of the world hear the voice of Iranians. It is for this reason that after sufficient study of the situation I agree to the request for an interview with some of the foreign mass media organs. Given the present circumstances, I do believe that this policy should be followed even though sometimes an interviewer distorts my statements, does not use my statements the way he has promised to, or as the supporters of the constitution claim, he simply abuses them.

#### Invitation to Solidarity

Question: Is it possible for you to tell us right now what possibilities you have at your disposal, and thereafter in order to have a reliable leverage so as to bring about the downfall of the regime what other fresh possibilities do you need?

Answer: A major part of this question pertains to the point which I've already explained. Right now, for the sake of the security of all the strugglers, particularly those who are inside the country, it seems more advisable not to go into details. Suffice it to say that as far as able and qualified man power, friends and supporters are concerned, we surely are not in short supply. However, our actions ought to be more unified. Especially, on certain occasions some insignificant issues are given too much importance when they don't deserve it.

From the very first day I invited all the strugglers who are residing abroad to cooperate and form a unified front. I've been saying that all those individuals who are making a determined resistance to restore and bring back our constitutionality, even if they're not organized under one unified umbrella of

resistance, they should at least try not to defile or vilify one another. Of course, I believe that anyone should have the freedom to say whatever he likes, however this kind of freedom of the press that we see abroad, on occasion is just carried too far, I should say to the point of devil-may-care attitude!

The level and quality of writing of some articles are so pathetic that it makes one wonder what the writer himself will think when he happens to read them some-time in the future and compares them to some of our writings of seventy or eighty years ago! I for one feel very sorry.

Any way, there were many supporters of the constitution who did not belong to any group or organization and they continually contacted my office asking me to devise a method to coordinate all the activities of these various groups. I recommended that all the interested individuals abroad get together and select their own representatives so that on the level of a supreme council which would be responsible for the coordination of these activities, their operations could be carried out in a more unified manner; furthermore, they would be in contact with an executive council active inside the country in order to bring back a rule of law.

The activities of the executive council are carried out quite successfully and at a reasonable speed; however, the work of the supreme council has fallen behind schedule and additionally it has become the butt of assault from various quarters. For instance, some of the educated young patriotic individuals who are active in the councils are asking me why they are being accused of certain uncalled-for charges. What can I tell them, except that we should not be monopolists and should not unnecessarily condemn any and every effort which we do not happen to be a part of. Otherwise, how can we expect to see that the rules of democracy are being followed in the parliament of tomorrow? Should we go as far as to say that any Iranian who is not a monarchist is at fault or perverse? Never!

It is unbelievable to see our countrymen being bombarded, ruled by a suppressive regime and deprived of every right inside the country, yet those Iranians who are living abroad are busy fighting one another! It seems that they have forgotten who and where the common enemy is. Obviously, many of these discussions or disputes which are being attended to by some Iranians who live in the free societies of Europe or the United States are just non-existent in Iran.

Question: Since you mentioned the bombardments, from the news we've got from Tehran it seemed that during the days when our country came under a barrage of Iraqi bombings, the situation became ripe for inciting the general public's thoughts so as to bring about the downfall of the regime, minor situations such as the revolt at Amjadih Stadium or antiregime demonstrations in the 9th Aban district.

With regard to the problems with which the current regime is faced and considering the ever-increasing dissatisfaction of the people, there will probably be

more revolts and demonstrations. As far as seizing such opportunities are concerned how prepared are you to attain your goals?

Answer: Demonstrations of such events are just indications that with each and every passing day this regime gets ever closer to the point of explosion. Probably, as you mentioned there will be more revolts and the time period between each occurrence will become ever shorter.

The harshness and incompetence of the regime has lead the people to rebel. In order to bring about the downfall of the regime, proper utilization of such opportunities is part of our program. The centers of activity in Iran which are in contact with our decision-making centers abroad will inflict the final blow at an opportune time. I will not go into more detail now about this matter. At times, not only covert activities are necessary, but we also have to solve many other problems. One of the most important of these issues is the war. With an on-going war it is more difficult to bring about the downfall of the regime, particularly when no patriotic Iranian wishes to be defeated by an enemy. If there is such a defeat, its aftermath is going to affect each and every Iranian.

Therefore, perhaps it won't be possible right now to predict the precise date of the downfall of the regime--the downfall of an usurping regime which we are all impatiently looking forward to--however, when the right time for the infliction of the final blow presents itself, we will deliver such a hard blow that there will be no chance to salvage the regime.

Answer to Arms-toting Is Arms-toting

Question: You indicated that inflicting of the final blow on the regime will be carried out after the end of the war, but at no cost is the regime going to end the war, then what?

Answer: I've not said that the final blow for the downfall of the regime will be dependent on the termination of the war. What I said is that as long as the war continues our job will be more difficult. It is for this reason that we see that the regime has been using every possible means to intimidate and discourage the people. On the other hand, we see that the functionaries of the regime are quite harassed by the outpouring of public anger and gradually they are losing their repressive grip. At any rate, the regime has suppressive arms-toting agents and the answer to that is arms-toting.

So as to undo this Gordian knot, it is sometime now that I've requested those governments of the region who are interested in the stability and security of the region to step forward and ask Iraq to honor the Algerian Agreement of 1975 and respect the rights of the Iranian nation. Furthermore, through the presentation of a peace plan that I've discussed with the national leaders I've been trying...[sentence not completed].

Question: With which one of the national leaders?

Answer: With the ones who are active outside the country...so as to reach an agreement and end all hostility. I can assure the Iranian nation that the outside world is interested in the stability and security of the region and it has become quite sensitive to restoring the rule of law to our country and likewise it has come to accept that the complete rights of the Iranian nation have to be honored and that peace should be established between Iran and Iraq. It is only after the two nations' armies are withdrawn within the internationally recognized borders that there will be no reason for the continuation of a war.

But the usurping regime has neither the competency to gain victory in this war nor does it care about the life and property of the people or the nation's wealth in order to accept peace. On the contrary, it considers the war as a means for its survival, no matter how many millions are killed, disabled, captured or become homeless wanderers. Otherwise, at a time when the people and the army drove out the aggressor from our land, Iraq was ready to accept peace at any cost and put an end to the war.

You know that on the day the enemy launched its opportune attack on our land I announced my readiness to fight with my brothers and defend our country, however the regime clearly dreaded the very thought of seeing me among my brothers. Today, the present regime is continuing the war under the pretext that Saddam is ruling in Iraq--why? Is it the business of the Iranian regime to determine who should rule in Iraq?

This ruling regime, at its very inception inherited an army whose air force alone with its F14 phantoms could destroy most of the Iraqi's fighter planes on the tarmac or at least it was able to prevent an aggressor's plane from entering our borders. In addition, at that time the Iranian army was not only able to stop the transgression of any non-nuclear power in the region but if necessary it could destroy it. Despite the propaganda of the opposition, we know that the Iranian army was well-prepared to defend the territorial integrity of our land and would not transgress on other lands. Unfortunately, today the situation is so bad that the Iraqi planes can penetrate thousands of kilometers inside Iranian airspace without any impediment, from our capital to the economic jugular vein, that is the Kharg island.

Do you think that our people who see the Iraqi fighters over the skies of the capital can ever believe that this regime has the capability to reach Jerusalem by way of Karbala or bring the superpowers to their knees? Personally, for myself as a fighter pilot it is really painful to see that a bunch of ignorant people have rendered our country so defenseless within a period of six years.

At any rate, now is the time to ask all the nations who are interested in peace and security to demand that Iraq honor its obligations toward the Agreement of 1975. Thereafter, the conditions will be more favorable for the nation to rise up against the usurping regime.

After proper consultation with other national leaders I've started my pertinent activities. We've a very momentous and sensitive period in front of us. A



little negligence or indifference may lead to the total destruction of our country. I'm sure that with the support and awareness of the people of Iran we will be successful in putting behind us these dark days of our lives and attend to the matter of reconstruction of the country. You should know that there are many groups who are active inside the country and with each passing day they expand their connection with us and with other groups. My fellow countrymen will be informed of many other details in due time.

#### Friends of Iran

Question: You mentioned the countries who are interested in peace and security of the region. Is it possible to tell us with which leaders you have been in contact?

Answer: There are some countries in the region which are called "moderate" and they're active toward establishing peace, security and stability in the region. Personally, I'm familiar with those leaders. They've been friends of Iran and they've honored the rights of the Iranian nation. With their cooperation, based on honoring the contents of 1975 Agreement, I'm trying to reach a point where in case of a general uprising against the regime our enemies will not be able to stab us in the back. That day is not far away!

Question: Have you heard that the people in the southern part of Theran say: "Reza Pahlavi, born in Mowlavi?"

Answer: No, I've not heard that. That's quite new to me. However, I'm happy to hear it. I was born in the Mowlavi Hospital and I belong to the Iranian soil.

Question: Let's talk about other issues. How do you evaluate the 11 Mordad [2 August] events. What news have you received from Iran particularly Tehran, regarding those events? What was people's reaction or that of regime's?

Answer: As far as I know the main objective of the organizers of 2 August programs was to force the regime to react and they succeeded in doing so. The people witnessed how the armed mercenaries of the regime created a kind of martial law in the city and they also noticed that the regime has become so desperate as to threaten them over the radio and in the Friday prayers and to tell them to stay home. Fortunately, the regime's fright from the supporters of the constitution became clear and I have to say that the distance between the downfall of the regime and the people is the quantity of the arms which are available in its arsenal and the number of cartridge casings which will be left between the rebellious people and the suppressive forces. Of course the people should not be called to march on the streets without any reason. What we intend to do is to prove the suppressive and repressive nature of the regime, thereafter it won't last even one more day.

The Iranian nation is no longer afraid of Khomeyni. Those who think that the people are afraid better discard this false notion and know that even those who are very close to Khomeyni are no longer heeding his orders any more.

The indications for the downfall of the regime have never been so clear before. Our nation has recognized its responsibilities and obligations. I know my own duty and responsibility. Despite all this, the correct job has to be done at a correct time in a precise manner so that the most favorable result can be achieved with the least danger.

Question: One of the national leaders who is very close to you, on several occasions has said that the shah has to do something dramatic and spectacular. For example, you should land or disembark with troops in a certain point in Iran. What is your personal view?

Answer: Here I have to point out something to my countrymen. Maybe I've a larger and more prominent share in bringing about the downfall of the regime, however my share is only one in itself. It is a matter which concerns all Iranians and they should put into it all they have. The achievement of freedom, security and eminence is a national matter in which all should have a part.

As regards that dramatic or spectacular act, we have to wait for the most favorable conditions and see what strategy and tactics have to be employed in our struggle. There are various scenarios which have been penned by my consultants. If we come to a point where we see the occasion is ripe for that dramatic move, we certainly will act accordingly.

Question: In your opinion what is the most dangerous thing which is threatening Iran right now and from where is it coming?

Answer: Inability is the most dangerous thing for a nation. The ignorance and incompetency of this regime has rendered Iran so helpless that it has stimulated the voracious appetite of the vultures,...and the vultures are waiting in ambush to tear to pieces the corpse. But fortunately our nation is still alive and quite awake. It still can refurbish its power and defend itself. The danger only becomes unavoidable when a nation loses its vital force and it arrives at the point in the true sense of the word when it loses its very existence.

Today, Iran is located in a region where as a result of the turmoil and commotion it is said that a third world war might be sparked. Such a situation makes it necessary for us to be **ever more** alert and know that the longer this regime remains the greater the extent of the destruction and thus it will exhaust our national force even more. Right now, we have fallen several decades behind the progressive world. Beside the heavy financial losses, as far as human power is concerned our country has sustained such tremendous damage that it needs considerable effort, time and sacrifice to relieve such deprivation. However, although the reconstruction of the country seems a formidable task, it is not impossible.

#### Nation, the Final Judge

Question: The late shah on several occasions stated that the crown prince should take on more responsibilities. With regard to this goal you made some trips and

visited a number of government leaders and statesmen throughout the world. Is it possible to tell us a little about your impression and experiences which you gathered from those trips?

Answer: Of course. But, before anything else I have to say that I'm looking only for a constitutional monarchy since this is my obligation toward the nation and it is a political, humanitarian and moral principle which I will never overlook. In the future Iran, the monarch will have no executive responsibility at all. The government ought to be rewarded for its competency the same way it is punished for its inefficiencies and incapacibilities. The nation ought to be the final judge.

What my father used to say about the responsibilities of the crown prince in those days used to revive in my memory the very same feelings that I discern more clearly now. The shah ought to be with and among the people. He ought to spend most of his time with the people in order to become ever closer to them and become familiar with what is happening throughout the country. Today I read all the letters and newspapers which are sent to my office and make the pertinent replies. However, as I have said many times before I repeat once more that in Iran of tomorrow, instead of sitting behind a desk for 10 or 12 hours a day and giving audience to visiting individuals who form a long line in the waiting room, I would rather engage in activities which are more becoming of a constitutional monarch.

Yes, there were some individuals who preferred to hide themselves behind the shield of my father's power and do whatever they pleased. Unfortunately, they made a dreadful personality out of my father and pretended that everything had to be done by his orders, and we all saw the result of such behavior. In any case, the past is gone and it is history now, but we ought to take a lesson from it.

To make the story short...from early teen years I visited many kings, queens, presidents and prime ministers. Some of these visits still continue. And in order to bring an order to the present dismal condition of the country I am making the best possible use of this situation.

Yet nothing can replace our total national effort. We have to discard such notions as the superpowers or the great countries are running or controlling world affairs. If it so happens that a certain government determines the destiny of another government, it is all because of the inability of the government in question and not the power or ability of the former one. The fabulous or mythical power of the superpowers is but an inculcated illusion and its remedy comes about as a result of regaining one's national self-confidence. Instead of exaggerating the others' power, it would be much better if we were to work toward our own strengthening. One way of becoming strong is a correct and impartial evaluation of our resources. This is no laughing matter. Only those defeats which have had their true causes and elements properly analyzed can be changed into a victory. The main objective of those individuals who are trying to create a critique-proof individual out of the person of the head of a state is to hide themselves

behind his power shield and thus make their own selves immune to criticism. This kind of weakness should not be permitted in the future system of Iranian government.

There is no operation without certain deficiencies. There is nothing complete as such. It is only the search for the infinite that tends to complete the man. The important issue is that the path which we choose should be the right way and all should take part in covering the distance. This kind of participation can not be achieved other than with true freedom. It is freedom that will make the truth known and fight iniquity and corruption.

This pretext that the majority of the Iranian people are still illiterate can not be a good reason to keep them away from participating in the affairs of the government. Illiteracy should not be considered as synonymous with a lack of culture or intelligence. We ought to make a country which will be immune to all the social ills. The more extensive the people's participation, the less there will be a chance for deficiencies.

Question: I've a question which deals mostly with your morale. For a new challenge or competition, do you prefer an easy or a more difficult situation?

Answer: It all depends on the situation. If the circumstances tend to make the situation easy, I'll not intentionally do something to make it more difficult. On the contrary, I'm not afraid of difficult situations either. One reason for this claim is that today I've stepped into the arena of contest to bring about the downfall of the usurping regime in Iran.

#### **Iranian Gnosticism**

Question: You mentioned that we must bring back constitutionality to Iran anew. Is it going to begin from where it was left off?

Answer: If we are going to believe in continuity and consider what happened to Iran in the very recent past as a period of minor tyranny in the continuity of Iranian history, then we should restart our history with due consideration to the totality of the constitution and the prevailing situation. We can say that we are approaching a second period of revolution for the constitution. The actors of this scene are those players with whom we are familiar from several decades ago, people like merchants, laborers, farmers and other strata which came into the picture later on, especially students and government employees. At any rate, we have a constitution which we can fortunately rely on and bring back a normal condition to society--particularly I have to stress on a rule of law and a government by the people.

Question: You mentioned that it is only the search for the infinite that tends to complete the man. There is a touch of Iranian gnosticism in this statement. Beside all the political engagements, whether theoretical or practical how familiar have you become with Persian literature and philosophy and how much are you interested in it?



Answer: Man is like a sponge, after a little period of strain and struggle he loses his freshness and exudation. Therefore, in order for him to freshen up he should take a plunge in the ocean of knowledge and for this reason I consider Persian literature and philosophy very inspirational. This part of the Persian culture is one of the very important sections of our national tradition.

Obviously, because of my interest in Iranian culture, I cannot disregard the most significant part of our culture. Of course, my sphere of vision is not limited to one language or a particular culture alone. While I've an intense interest in the Persian culture I also think as a cosmopolitan. From the study of various cultures I see a common value and that is humanity. I believe that if a national culture loses its connection with the other cultures of the world it will fade away and die. And this is one of the dangers with which the present regime is threatening our country. Nurturing or developing the national culture should in no way incite the enmity of other foreign cultures at all. From this standpoint, you probably can tell that I look at the man and the world through the eyes of a gnostic.

Question: Which Iranian poet(s) do you like most?

Answer: It is really hard to choose one or more gems from among the vast ocean of Iranian literature personalities. Iranian poetry has a special place in world literature. We've had many great poets who helped ever enrich our language. However, with the essential elements of our culture and language in place such great personalities as Ferdowsi, Mowlavi, Saadi, Hafez and... by means of this language and through their own genius they were able to attain such lofty positions. It is really hard for me to say that I prefer one over the other.

Question: Recent events in Iran have caused many people to look at the recent history of our country quite differently. For instance, how do you feel about your grandfather, since he too entered the scene at a very momentous and sensitive period in the history of Iran and changed the destiny of our country. At all events, in the modern picture of Iran it is not imaginable to forget his face.

Answer: Furthermore, what my grandfather accomplished in restoring the territorial sovereignty of Iran is of utmost significance. For one, I can never imagine an Iran without its complete territorial integrity, no matter how great other achievements might have been. Thus, first of all we have to have a country which enjoys complete territorial sovereignty, then carry out what we deem would be most deserving for that state. A country without territorial sovereignty is like a man without identity. One of the greatest achievements of my grandfather was this restoring of identity to Iran. It was no accident that at a time when East was awakened such personalities as Reza Shah in Iran and Ataturk in Turkey appeared and captured the scene. Moreover, what really fascinates me about my grandfather is his will to finish what he began. Considering the exceptional circumstances of the country at the time, like today, that was of great significance.

Question: As of a few decades ago, the matter of reconstruction of Iran was given particular attention. We can say that Amir Kabir was the initiator of this process. During Pahlavi dynasty's reign this movement became ever faster and attained a more profound meaning and it was in the middle of one of these periods of swift transformations that the revolution came about. In your opinion, how can we coordinate the process of reconstruction and transformation with regard to preserving our traditions in such a manner so as not to disturb the stability and equilibrium of our society and not bring about another social upheaval?

Answer: You mentioned Amir Kabir and the Pahlavi dynasty, but you did not say anything about the constitution. Everything goes back to freedom. People ought to be left alone within the framework of the law. We ought to honor and protect all the freedoms within the bounds of law. The individual who calls himself "western" ought to have as much freedom in choosing his life style as the man who is termed as a "traditionalist." I've always said that those ladies who would prefer to wear a chador [veil or covering worn by women to cover their whole body] ought to feel free to do so, and those who don't, don't.

If we honor the very principle of freedom and law, we won't have to face grave or unsolvable problems. Otherwise, there is no other way for society to move forward in a harmonious and concordant fashion.

Question: From the news we receive from Iran it seems that there is a certain feeling of nostalgia for the recent past of Iran, particularly the reign of the late shah. Is it possible to change this sympathetic sentiment into a political force and merge it with the entire movement for the downfall of the regime?

Answer: Of course it can. At a time when such superstitious and nonsensical ideas like positioning of a picture in the moon or placing of a strand of beard in the Qoran could help Khomeyni's revolution, why can't this sympathetic sentiment for the recent past do the same for us. It is very important to me that people are more aware now. This fact makes me more determined and endows me with the morale I'll need to accomplish the great task ahead of us.

Question: In order to make his revolution successful, Khomeyni utilized the Shiite hierarchy which has been in existence for several centuries, and at the time he was at its head. What supportive network do you think can be properly used to bring about the downfall of the regime?

Answer: You mentioned hierarchy! Do you really think he [Khomeyni] was at the head? At any rate, I would like to use the opportunity to point out something in this regard and then answer your question. I'm a Muslim and Shiite. This is my faith and belief and it has nothing to do with the present day regime or any of its predecessors. What worries me is the fact that the functionaries of this usurping regime have made such a mockery of Islam as to arouse the hatred of foreigners against Islam and shiism and make them think that all Shiites are murderers, thieves and saboteurs.

Indeed, this is becoming a grave affliction for us. What really worries me is that as a result of the actions of the clerics many Iranians, either inside the country or abroad have turned away from religion. How pathetic it is to see that as a result of domination of a bunch of people such atrocities come about under the name of religion.

What all the benevolent people really expect from the true clerics is that they should once and for all separate the actions of these so-called Islamic functionaries of the regime from religion per se. I don't know what one can expect from a religionless society any way.

As regards your question concerning the supportive networks, I must add that there are many possibilities available. We can reactivate all the unsatisfied elements and merge them all in smaller but interconnected nuclei. This is something which has already begun and we've made some progress.

Question: Is this an activity of the Executive Council?

Answer: Of course the Executive Council is carrying out its duties. I'm not in the habit of constantly blabbing about what we are doing and so forth. More than that, we should be careful not to endanger other people's lives.

Question: How much danger are you ready to face or how far are you ready to go to liberate Iran?

Answer: I've said on several occasions that I'm ready to give my life. If there is anything more I don't know. I'm ready to face any necessary danger. But this does not mean that I'm going to risk or gamble the fate of a whole nation. Other than reconciliation with the enemy and risking of our national interests, I'm ready to endanger everything else. Better face a danger once than be always in danger [that which may fall out at any time may fall out today]. At this time of the game as a nation we have nothing to lose, but everything to gain.

Question: There is also a movement called the "lawful opposition" in the country. What I mean is Engineer Bazargan's Freedom Movement which stands in opposition to the theocratic rule or the basis of the present regime. How much consequence do you give to this movement?

Answer: To tell you the truth, I really don't know what they want. What I remember is that a few months before the advent of the revolution Mr Bazargan was interested in the execution of the constitution--like many others who were also interested in the correct execution of the constitution--but they changed horses in the middle of the race. One cannot judge these things by their outward appearance. There might be wheels within wheels. They might have colluded among themselves. It is not possible to give a definite view in this regard. At any rate, it is not known what this gentleman [Bazargan] wants or what kind of government he is asking for.

The final product of the revolution is the very rule which has been imposed on our nation. And if Mr Bazargan or some other individual(s) comes along and says that he has better fruit from the same revolution to offer, I don't think people are going to buy it anymore.

I am very thankful that you gave me an opportunity to discuss these questions.

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IRAN

BAKHTIAR DISCUSSES VIEWS ON VARIOUS SUBJECTS

Paris ARC EN CIEL in French 3rd quarter 85 pp 6-8

[ARC EN CIEL interviews Chapour Bakhtiar, the shah's last prime minister, date and place unspecified]

[Text] We, at Man's Socialist Rights, abiding by principles already in use with our Argentine refugee friends, collaborate with all those who are fighting for a scorned liberal democracy. Thus, in Argentina, we collaborated with both the Peronists and the radicals, leaving it to the people themselves to make a choice that was theirs alone.

We feel the same way about Iran, although it does not prevent us from, sometimes, forming our own opinions. Thus, we help our friends, the People's Mojahedin and we did not refuse the hand offered by the Toudeh Party (communist) when it stopped collaborating with Khomeyni.

Today, Chapour Bakhtiar and his friends, who profess to belong to social democracy and secularity, come to us. May they be welcome, like the others! But first, let us allow them, through this interview with Chapour Bakhtiar, to clear up some ambiguities and make themselves better known.

[Question] Khomeyni has been settled in Iran for the past 6 years. Despite a very critical economic and political situation, he has remained in power. Do you think his fall is impending or not?

[Answer] This depends on factors which are currently beyond my knowledge. Khomeyni has remained in power for two reasons: Firstly, through terror and extortions during a certain number of years and secondly, through the economy. The economic structure of Iran is not very stable. Petroleum is the main income. Through the willingness of the West and, for entirely different reasons, through the indirect support or the benevolent neutrality of the USSR, Khomeyni has succeeded in quietly selling his petroleum. He is still doing so despite the bombings. To be sure, production has dropped, but do not forget that Khomeyni still has a \$12-billion annual income, thanks to petroleum.

He has used two methods to sell his petroleum. The sale often amounted to nothing more than a barter which made it possible to obtain absolutely necessary

foodstuffs from some countries, like Turkey or the Balkan countries, in exchange for petroleum.

Moreover, he used the same method to obtain weapons which he is using to fight against Iraq and, tomorrow, maybe against Saudi Arabia or Kuwait, since Islam must conquer the world!

Thus, there is willingness on the part of the West and complicity on the part of the USSR (it is always a real pleasure to support a revolution. Which one? Nobody knows, let us see where it will lead!).

Another criterion should not be overlooked. Khomeyni uses this Iran-Iraq war to claim that, if things are going badly, it is due to Iran being at war, a war against "counter Islam." He, alone, represents the pure Islam; all the others, may they be King Fadh, Saddam Hussein, etc, the counter-Islam.

That is what has allowed Khomeyni to remain in power until now. But the situation is deteriorating. The USSR and the United States are finding for the first time that this man is inflexible, in that normal, correct relations among countries cannot be established with him. The reasons why the United States feels that way is known, namely the hostages, the humiliations, etc.

As for the USSR, it cannot ignore the danger of exporting this revolution which had attracted it at the beginning (I do say Persian Gulf, this expression has existed for 2000 years, with all due deference to some rabbis... I ask you to translate it that way in your newspaper). The USSR has 70 million Muslims, it cannot disregard them.

There is a problem with petroleum on the one hand and the danger of the Islamic revolution on the other; these will not fail to be troublesome for Khomeyni.

[Question] Do you think that introducing the idea of a secular and non-Islamic nation to Iran will be easy?

[Answer] The 1906 constitutional text, the only one I recognize, stipulates that the nation is Islamic, but that our laws are secular. This is not necessarily paradoxical. As lately as some 60 years ago in France, the laws still bore a certain religious quality. For example, divorce and adultery were poorly viewed and the legal texts express the state of the country's religious Catholic morality. And yet, the country has been secular since 1905.

In Iran, because of Khomeyni, religion as a creed has lost many followers and many Iranians want nothing more to do with it. This is a proven fact among the middle classes, more or less the intellectual bourgeoisie. Having said this, I believe that the old constitution must be amended, like any 80 year- old constitution, but one cannot avoid, incidently, to take into account that the majority of Iranians are Muslim.

[Question] Can we summarize your thought by saying that it will be enough for Iran if the ayatollahs have no political power?

[Answer] Absolutely. We need a government in which ministers would be secular civilians. As I have often said, "Ayatollahs and mullahs, in the mosques!".

[Question] According to you, the most important feature of government is not, therefore, its form but its democratic aspect, which leads you to prefer a constitutional monarchy to an Islamic republic.

[Answer] Yes. For several reasons. First of all, Iranians have a sort of repulsion toward the republic. When one professes to be a democrat, one must be consistent and I am very attached to democracy, but I am forced to note that, today, the Khomeyni experience has set back the republican concept.

Then, each nation is very attached to its past, not only historically, but also culturally. Iran is a real ethnic mosaic. And it is simpler to gather all these ethnic groups under the banner of a same monarchy, the person of the king being an unifying factor.

#### To Respect the Minority

To me, belonging to the Left or the Right is not democracy; respecting the minorities without any fuss is. If one respects the Other and, as Sartre stated, the Other is not hell, then you can say that you are in a democracy.

[Question] Are you still currently considering yourself the legitimate prime minister of Iran?

[Answer] Listen, I cannot accept the Islamic Republic. For me, it is a black interlude. If you accept that, you can consider that I am the prime minister of a regime which respected the 1906 constitution, since I did not resign, I was not defeated and... I am not dead. However, this Islamic Republic, which was proclaimed, is an accomplished fact. I have never declared in any press conference, nor in any interview: "I am the prime minister." This depends on the development of the situation; whether or not we want to, we cannot disregard the upheaval which took place. Then, to be sure, I still have legitimacy, but I do not want to abuse it, nor even use it.

[Question] Under what conditions did you accept to be the shah's last prime minister?

[Answer] The former monarch thoroughly disliked me and you know why. That is because I had been a member of the Mossadegh government; and I am proud of it.

For 25 years I had been asked to participate in successive governments. I always refused. When I accepted, it was obviously under certain conditions.

I was not the only one being considered when the king called on me. There were several contenders. However, the king wanted to prove that there was a trend toward liberalism. He said to himself, thinking about me, here is a man who spent 6 years in prison, who opposed me and who endorses Mossadegh's ideas; this will bring the hoped-for change. It was too late, the Khomeyni cancer had partially invested Iranian society, remarkable for its lack of political culture, for which, incidentally, the shah was responsible.

We never had the opportunity to get organized; we were imprisoned each time. Therefore, when he called me, it was in extremis and due to circumstances. He accepted because there are times when risks must be taken, if one has courage.

When he called me, I went to see my friends and I told them: "It is either us or the mollah. We must be united because there are already thousands of men and women screaming in the streets 'Imam, Imam.' They got him, they know who he is."

#### Five Conditions For Governing

But here are the conditions I set:

- 1) I would name my own ministers; I did not want any interference with the army, the police, governors general, prefects, etc;
- 2) the Palhavi Foundation assets had to be restituted to the nation;
- 3) his Savak had to be dissolved. I accepted the need for an intelligence service which would report a given terrorist activity. In that case, the ministry of the interior, duly informed, would refer the case to the civilian justice and the perpetrators would be arraigned before the court; it would be all, unlike the Savak which used torture. It is now worse, for there is no center of decision, each person, in the name of Islam, acts and represses on his own, an incredible cacophony;

But we are digressing. I therefore set those conditions upon my arrival in the government. In addition, I demanded--for I valued this very much--that the press be free and that political prisoners be released. Mas'ud Rajavi was therefore released from prison due to these measures. I must add that all the ministers needed a lot of courage to act during that time.

[Question] If you were to exercise once again the duties of prime minister, what conditions would you set to form your government?

[Answer] Ah! A difficult question. In the current situation, it is unthinkable to consider forming a government as long as Khomeyni remains in Iran. To begin with, an interim government would have to be formed. The young prince could govern, after receiving the people's endorsement.

[Question] Are you thinking of a referendum?

[Answer] No, I do not favor referendums for Third World countries. They demand a political knowledge that these countries do not possess and, when all is said and done, they are to their disadvantage. I would prefer to use a constituent assembly.

#### A Peaceful Referendum

[Question] You succeed in spreading your ideas over the radio in Iran. Can you estimate the number of your allies?



[Answer] The people's discontent is vast. I have the sad privilege of having been the only one to have warned the Iranians about what is happening today. At the time, they were not listening. An anecdote will illustrate how I was able to determine the number of my supporters. On 17 May 1985, I sent 2,000 telexes to Iran, in all of the country's large towns, asking Iranians who were against the Iran-Iraq war to take to the streets at 10:00 o'clock, nothing else, no banners, no processions. They numbered in the thousands in each town -- remember the reverberations in the world press. It was a peaceful referendum, but a real one.

[Question] You call yourself a social democrat. Is an Iranian social democrat comparable to a European one?

[Answer] Certainly not. In Iran, if one is a democrat, one is almost forced to be a social democrat. There is so much to do in the economic sector in order to reduce inequalities and set back injustice.

[Question] Let us talk about more personal issues. Why did you join the French Resistance?

[Answer] I joined first by idealism. There are people who love justice and have a certain idea of justice; I also owed something to the country in which I had been living for years and where I acquired my intellectual training. And, above all, that it was in accordance with my ideas.

I was finishing my doctorate. I contacted Felix Gaillard; he had to set up some kind of communication system in the provinces. Since I was a foreigner with papers in order, I was not being disturbed and no one suspected an Iranian of being involved in resistance activities.

I often went to Brittany, since my wife is from there and my two children were with her. I officially spent the weekend there and I would bring back goods that were unavailable in Paris... but, there also were documents along with the butter. The cover was perfect.

I therefore passed my doctorate, the president of the jury being Georges Scelle, under the bombings. The thesis which I defended was entitled "Relations Between Politics and Religion in Ancient Societies." You see...already!

[Question] Do you think that the policy of political and economic independence followed by Mossadegh is still topical?

[Answer] There was no Common Market at the time, none of the things which are thrust upon us nowadays. There is a need for a contemporary vision of the situation; but I agree with the significant principles. If the French were to discuss whether Jaures would have allowed the nuclear force, as François

Mitterrand has done, what valid answer could be given with certainty? I remain faithful to Mossadeh for his nationalist feeling and his desire for national independence and social justice.

[Question] According to you, one is Iranian before being a Muslim and any Iranian, regardless of his ideas, has the right to live in his country. Would you oppose the return of the Toudeh and of Mas'ud Rajavi if you were to return to power?

[Answer] When I was prime minister, Mas'ud Rajavi was released like the other prisoners (there were only six left in prison). If his return were to depend upon my decision, he could return and express himself freely as an opponent. What I will reject from any one, no matter who, is terrorist action.

#### Impossible Alliance of the Iranian Opposition

[Question] Does an alliance of Khomeyni's entire opposition seem totally impossible to you?

[Answer] Absolutely impossible. There are basic factors upon which no agreement can be reached or negotiated.

Listen, if Laval had come to Algiers in 1943 and told de Gaulle: "Let us drop Petain, that old man, and do something together," how do you think he would have been received by the General? Even if we have not yet reached that point in Iran, it is necessary to reflect that, by opportunism, these men, at first, committed crimes and were accomplices. This cannot be brushed aside. I know that they pass for democrats in France; I attribute this opinion to a total lack of knowledge about what they are.

[Question] What do you think about equality between men and women?

[Answer] I will be brief. For me, equality is total and must be lived as such.

[Question] Do you not think that the Soviet Bloc would be ready to help Khomeyni's opponents in order to try to remove Iran from the western zone of influence defined in Yalta?

[Answer] The West will not let Iran fall into the USSR's hands. I think that the USSR is mainly trying to prevent Iran from becoming an ammunition warehouse against it, that is all.

In another connection, Iran is inclined to getting culturally closer to the West, but the fact remains that it is not at all hostile to the USSR. I think the situation may be described in those terms.

[Question] Many nations, including France, have decided to impose economic sanctions against South Africa in order to denounce the apartheid regime. Did it ever cross your mind that this could also be used against Khomeyni's Iran where racism is based upon religion and not color?

[Answer] Luckily, the problem is not as serious in Iran as in South Africa. The majority of Muslims are Shi'ites but the other Muslims are not persecuted as are the blacks of South Africa. It is nonetheless true that human rights are being violated in Iran and what I ask is an awakening of western conscience. On the basis of this non-respect of human rights, western governments should not support the Khomeyni regime. To be sure, in the future, we will take into account the behavior of governments and we will remember which one supported Khomeyni.

[Question] France, like most European countries, abolished the death penalty in 1981. Are you personally for or against this measure.

[Answer] This is a question of conscience and sensitivity. The death penalty is horrible, but I believe that, in Iran, abolishing it is not the proper thing to do for the time being.

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## IRAN

## LEBANESE RELIGIOUS LEADER DISCUSSES VARIOUS ISSUES

Tehran KEYHAN in Persian 19 Oct 85 p 20

[Text] AL-ALAM: One of the learned theologians once stated that there are two different Islams in Lebanon, one which is moderate and both Israel and the United States and other arrogant powers have a reconciliatory approach toward it, and the other is extremist Islam which is at war with the arrogant powers. If such descriptions are correct, then to which group do you belong?

Ebrahim Amin, Hezbollah spokesman in answer stated: We have some words about these descriptions and that is that we never feel bound to limit ourselves to the framework of such current descriptions.

Moderation and extremism are two political terms which contain a particular import or expression about an Islamic activity or movement. In fact, true and genuine Islam can never be divided into moderate or extremist parts. We are Muslims and always try to move in a rational, discerning and fundamental direction in understanding Islam. To be perspicacious and a true believer means to be moderate and moderation means an obligation to God and not extremism. May be there is a tendency toward exaggeration and overestimation in extremism. Thus, according to the abovementioned explanation regarding the significance of the terms, we are not extremists but tend to be moderate in our perception, understanding, position and conduct and will always try remain so.

The extremist aspect of the present extremism is doomed since it follows certain positions which have been degraded to the level of an extenuative and apologetic norm away from the goals and political issues. This kind of extremism in its political sense is a reactionary extremism. Therefore, in cases where the extremists claim to be moderate, we tend to disagree with them. We belong to a genuine and bona fide Islam which tends to move forward with a discerning, fundamental and basic understanding without compromising the essential issues. Thus, there is no need to seek our identity within the framework of such terms.

## Who Are the Terrorists?

Question: There are certain allegations from various sources in the United States and other countries' mass media which claim that Hezbollah had a part in the terrorist activities in the region. What is your opinion about these allegations?



Answer: Here, I have to say that there is mixed import discerned from the subject of terrorism. For instance, I personally believe that the world arena in general and the Middle East and Lebanon in particular once in a while witness the occurrence of certain moves and events--some involving security and some not--which come about as an isolated event not planned by the enemy. I believe that the recurrence of such events is the result of the weakness of the superpowers. Therefore, it is very easy to simply call such occurrences acts of terrorism and whenever we notice that as a result of certain incidences the nose of the superpowers are rubbed in dirt we just feel a sense of pride and glory. No matter what the superpowers like to say, we won't pay any attention.

At present, a sort of incorrect and inverted propaganda exists throughout the world which is mainly a combination of the superpowers' politics. All the wars, destruction, carnage and massacres which have occurred in the course of history or in the recent decade are as a result of the political, economic and military support of the United States and Israel, or US support for Israel in world forums and condoning Israel's actions in Lebanon during the period of occupation, or for that matter the very actions of the United States in Lebanon through its military intervention against the Muslim and oppressed nation of Lebanon where it transformed Lebanon into a military test laboratory for its advanced weapons. All such horrible actions are considered to be humane, civilized, moral and ethical by those two nations; however, when an oppressed nation rises up to defend its territory and existence, the superpowers term such defense as terrorism.

This is a common tactic and the usual manner of the arrogant powers in describing and explaining their arrogance. We hope that the superpowers won't be able to create a gap in our relations with friendly nations, since we don't have enmity or hard feelings even towards those nations which we do not happen to be in agreement with. But it is our right to rise up against our enemies, the enemies which have violated all our rights. At this point I'd like to mention that one of the ridiculous meanings of the term they apply to the "resistance forces" who forced the Israeli troops out of southern Lebanon is terrorist; likewise, they consider those forces which compelled US naval forces together with French and British contingents out of Lebanon as terrorists too.

However, we believe that all the events which came about as a result of a war with the United States and Israel only as human acts which deserve proper respect, homage, deference and discussions since the occurrence of such events is unprecedented in the history of mankind.

#### Beirut's Security

Question: In order to insure the security of West Beirut certain plans were put into force and the lack of security still prevails. Do you believe that the present security plan can prevent the prevalence of lack of security?

Answer: We believe that the present plan in addition to providing some suggestions and pertinent decisions for security also covers more extensive security provisions. As far as the Lebanese army is concerned we do not have any

confidence in its ability to provide the necessary security, particularly when we know that this army never fought against Israel but instead tried to quell the efforts of the southern region and as a matter of fact it reduced the region to dust. And right now that army operates within the framework of the Phalange policies. As far as we are concerned we will support and use all of our resources to insure the security of West Beirut. We hope that in the future we will not witness anymore battles, skirmishes or conflicts between the domestic forces; however this does not necessarily mean that we will trust the plans of those individuals who are after nothing but domination over the existing scene. What we would really put our trust and confide in would be a plan accepted by the people. Of course the above-stated plan is completely different from the security plan which is under consideration and lacks the support of the general public. Moreover, there is no indication that there has been any improvement in the security situation. It is for this reason that whatever transpired in Beirut tended to send a shock wave throughout Lebanon and eroded its security and confidence.

#### Plot for Separating Lebanon from the Middle East

Question: It so appears that Lebanon cannot disengage itself from its 10-year long crisis and the political and security atmosphere is getting ever more complicated. Where do you think the present situation in Lebanon is heading?

Answer: As of ten years ago a horrible tragedy befell this country, but this tragedy has been a monstrous and monumental sedition and an all-inclusive plot. During these ten years no true war occurred, furthermore no substantial, clear and explicit plans and problems were ever discussed. Of course there were many losses caused by the wars--though it be insignificant, but the true war which was inflicted on Lebanon by Israeli's extensive transgressions, changed the tragic Lebanese scene into one of a true battlefield where the combatants were honored to be able to fight and attain martyrdom. In other words, in our fight with Israel we have left behind that tragic scene and have entered into a new honorific war which has brought us many successes whether on an international or regional basis.

Therefore, if there is any crisis in Lebanon this crisis will not be solved by continuing its strife and conflicts with Israel. We won't believe whether at present or in the future Lebanon will ever be able to find a solution to restore its security and peace. We also believe as long as Israel is present in the region, no intended or proposed solution for restoring peace will be able to solve the crisis in Lebanon. On the other hand, on a diplomatic and political level sometimes the separation of the Lebanese crisis from that of the Middle East is proposed. We believe that this is a political subterfuge since Lebanon is part of the map of the region and its crisis will end when the final Middle East map is drawn. We seek almighty God's help in drawing this map with the blood of the martyrs and the power of Mojaheddins as soon as possible.

#### Palestinians Have a Right to Carry Arms in Lebanon

Question: There are conflicts and clashes going on these days inside Palestinian

camps in the south, furthermore you're well aware of the events which occur in various Beirut camps -what is your position as regards this situation?

Answer: Whether in the political or practical sense our position toward this situation has always been very clear. We believe that what happened in Beirut, especially the conflicts and clashes which took place between the Palestinians and other people in the camps has put two objectives in focus and that these two goals intrinsically comprise some of the accomplishments of the Islamic activities and motions. In other words, the clashes which occurred in Beirut put in focus our achievements in the arena of political unity with the Sunnites to face the mutual enemy. Furthermore, the conflicts and clashes which took place in Beirut created a flaw in the unified picture of the resistance of the struggling people who for the first time in history forced Israel to taste bitter and ignominious defeat and moreover it caused people to lose their confidence, power and their will. Thus the main reason for pounding repeated blows on the camps was to show to the people of the world the exact opposite side of the true picture and degrade or belittle the Lebanese Shiites' accomplishments in southern Lebanon. Although, in itself this is a very perilous issue, I believe that as a result of certain decisions and position-takings in Lebanon, especially with the stance of the Islamic Republic of Iran the course of events will return to its former situation. However, in order to face any new plot we will need to be more active. As regards the subject of Palestinian arms we have to be clearer on the issue. The Palestinians ought to be regarded as a nation, as other ethnic groups of people in Lebanon so that we can come to grips with the issue on an equal mental and political footing. We should even fight together with the Palestinians in the same trench against our Zionist enemies. Moreover, its their right to form a resistance force to face their own enemies. On the other hand, with regard to the existence of arms and weapons in the Palestinian camps I must say that it is their right or for that matter other people who live in Lebanon right to fight and defend themselves in a society which is run by mercenaries, spies, and a network of intelligence and espionage organization of the world. Likewise, it is their right to trust or distrust any force which is dispatched to provide them security. To this end, it is but natural to defend their own existence.

Here it should be added that the Palestinian issue has not yet been investigated and discussed in Lebanon. This is also true about the Palestinian offshoots. There is no doubt that Yasser Arafat and other deviationary Palestinian leaders are leading the Palestine people to ruin and dissolution and in the name of this nation they are making a fortune in various international forums. They are selling and sacrificing the blood of their countrymen for a pittance in US plans. But we should know that this issue cannot exonerate or justify what is happening in the Palestinian camps. Once more I would like to emphasize that the Palestinians should be given a chance to discuss and understand their participation in deciding their own destiny or carrying arms for their own defense. We believe that what is happening in their camps is a very dangerous problem and according to our own perception and understanding with regard to these occurrences we have taken a proper position.



## We Must not Be a Tool for the Realization of Others' Objectives

Another issue which I ought to mention is that before searching and looking for other people's plans, we have to look for and follow our own plan and take the proper position as to whether we should enter a war or not. It is not right for us to be a tool for the realization of other people's interests. I believe that we have not seen the end of the plot yet. God willing, we will, in the future have an opportunity to discuss all these issues and get the upper hand over the enemy.

Question: From the time Palestine was occupied until now we've all been waiting for an Islamic-Arabic strategic plan for the liberation of Palestine but so far we've not seen any indication of such a plan. Here I would like to ask that if the present resistance movement which began in southern Lebanon is considered to be the only way to resolve the issue and liberate the occupied lands, then why this movement is not getting on with its activities in order to carry out the liberation of the occupied lands?

Answer: The truth of the matter is that the present resistance movement in southern Lebanon in its initial stages has taken shape in isolated forms, however in its former phase before the banishment of Israel from the south this resistance took on a humanistic form and there is no doubt that its roots go back to the genuine, prolific and creative cogitation of Islam. Moreover, there is no doubt that the spirit of this battle originated from the Karbala of Hoseyn's fervency and that there have been many instances of heroism and valor in this resistance.

Yet, we would like to see this resistance become more extensive and take on a more humanitarian form so that all Lebanon becomes one single society of resistance. So far we've been able to achieve some success in reaching our goal. Therefore, for the continuation of this resistance and fight against Israel, it is necessary to create a larger society for the crusade and resistance which will absorb all the repercussion of this conflict and struggle. Thus, this might be the last chance for the mobilization of the Arab nations in order to reach this objective and I don't think there will be another opportunity or a second time around when as a nation with full control and responsibility, it can take action against Israel--this can't be done except with the continuation of the present resistance movement. This is an issue which focuses on the strength of the Muslims and the weakness of Israel. However, I'm sorry to see that this issue does not receive the proper attention in domestic policies.

## American Hostages Are not with Us

Question: Can you give us some explanations regarding the seven American hostages who are being kept by Hezbollahis?

Answer: The American hostages are being kept by the Islamic Jihad organization and not by us. I've no other comment.



Question: Some sources say that there is a certain relation between Hezbollah and the Islamic Jihad Organization. How correct are these sources?

Answer: We know as much about the Islamic Jihad Organization as others do. Furthermore, we only hear the news about this organization through public mass media.

#### Christians Fear Is Uncalled for

Question: The Christian minorities are frightened by the expansion of Islamic awakening in Lebanon. In your opinion, how much of this panic is real?

Answer: I don't think that the Christians have the right motive for being frightened of the Muslims--however, it is we who are frightened by the Christians who possess various weapons and are trying to change Lebanon into a military and human base for Israel and the United States. For instance, the military base of the Phalangists and their Lebanese forces all attest to their close relations with Israel and the United States. What we want is that Lebanon not be run by some superpower which has always suppressed the small nations. What we want is that to see the Christians are liberated from their own cruel and savage realtions with others.

#### United Islamic Front

Question: There are various Islamic movements in Lebanon whose proposed solutions have certain similarities, groups such as Hezbollah, Islamic Towhid Movement, Muslim Scholars Assembly, etc... Therefore, why is no action taken to form a unified front?

Answer: In reality, we should not be looking for a superficial solidarity which would not be much different from the current or existing ones. What is important is that we ought to be unified in our position-taking, in our battle and war against our enemies, and in our political and Islamic line of thought. And these are points which have nothing to do with the matter of decision making since they can be put within the framework of a crusade which in turn has nothing to do with conferences or things of that nature. At any rate, we are not disappointed and are pretty sure that despite all the great plots we will be able to move toward our goals.

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